中国建设银行
China Construction Bank

中國建設銀行股份有限公司
*China Construction Bank Corporation*

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

**(Stock Code: 939)**

# Announcement of Annual Results 2023

The board of directors (the "**Board**") of China Construction Bank Corporation (the "**Bank**") is pleased to announce the audited results of the Bank and its subsidiaries (the "**Group**") for the year ended 31 December 2023, which have been prepared in accordance with the applicable disclosure provisions of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* ("**Listing Rules of Hong Kong Stock Exchange**") and International Financial Reporting Standards ("**IFRS**") promulgated by the International Accounting Standards Board. The annual results for the year 2023 have been reviewed by the audit committee of the Board of the Bank, and the external auditors of the Bank have provided audit report with unqualified audit opinion.

**The Board of Directors of**
**China Construction Bank Corporation**

28 March 2024

*As at the date of this announcement, the executive directors of the Bank are Mr. Zhang Jinliang and Mr. Ji Zhihong; the non-executive directors of the Bank are Ms. Shao Min, Mr. Tian Bo, Mr. Xia Yang, Ms. Liu Fang and Ms. Li Lu; and the independent non-executive directors of the Bank are Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler, Mr. Michel Madelain, Mr. William Coen, Mr. Leung Kam Chung, Antony and Lord Sassoon.*

# IMPORTANT NOTICE

The Board, the board of supervisors, directors, supervisors and senior management of the Bank warrant that the information in this report is truthful, accurate and complete and contains no false records, misleading statements or material omissions, and they assume several and joint legal liability for such contents.

This annual report and results announcement have been reviewed and approved at the Board meeting of the Bank held on 28 March 2024. A total of 12 directors of the Bank attended the meeting in person. Due to official business, Mr. Ji Zhihong appointed Mr. Zhang Jinliang as his proxy to attend and vote on his behalf.

The Board proposed a cash dividend of RMB0.400 per share (including tax) for 2023 to all shareholders.

The financial statements of the Group prepared in accordance with PRC GAAP for the year of 2023 have been audited by Ernst & Young Hua Ming LLP, and the financial statements of the Group prepared in accordance with IFRS for the year of 2023 have been audited by Ernst & Young. Both auditors have provided audit report with unqualified audit opinion.

Mr. Zhang Jinliang, chairman and executive director of the Bank, Mr. Kenneth Patrick Chung, the independent non-executive director of the Bank, and Mr. William Coen, the independent non-executive director of the Bank, hereby warrant the truthfulness, accuracy and completeness of the financial statements in this annual report.

We have included in this report certain forward-looking statements with respect to our financial position, operating results and business development. These statements are based on current plans, estimates and projections. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements do not constitute a substantive commitment to investors. Please be fully aware of the risks and understand the differences between plans, projections and commitments.

The main risks faced by the Group include credit risk, market risk, operational risk, liquidity risk, reputational risk, country risk, IT risk and strategic risk. We took proactive measures to manage various risks effectively. For more information, please refer to "Management Discussion and Analysis – Risk Management".

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

# CONTENTS

## Feature Article



## Case Story

# DEFINITIONS

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below.

***Abbreviations of organisations***

| | |
|---|---|
| State Council | State Council of the People's Republic of China |
| MOF | Ministry of Finance of the People's Republic of China |
| PBC | The People's Bank of China |
| NFRA | National Financial Regulatory Administration |
| Former CBIRC | Former China Banking and Insurance Regulatory Commission |
| CSRC | China Securities Regulatory Commission |
| SAFE | State Administration of Foreign Exchange |
| Hong Kong Stock Exchange | The Stock Exchange of Hong Kong Limited |
| Huijin | Central Huijin Investment Ltd. |
| State Grid | State Grid Corporation of China |
| Yangtze Power | China Yangtze Power Co., Limited |
| Baowu Steel Group | China Baowu Steel Group Corporation Limited |
| ICBC | Industrial and Commercial Bank of China Limited |
| ABC | Agricultural Bank of China Limited |
| BOC | Bank of China Limited |
| Bank | China Construction Bank Corporation |
| "Group" or "CCB" | China Construction Bank Corporation and its subsidiaries |
| Board | Board of directors |
| CCB Asia | China Construction Bank (Asia) Corporation Limited |
| CCB Brasil | China Construction Bank (Brasil) Banco Múltiplo S/A |
| CCB Consulting | CCB Engineering Consulting Co., Ltd. |
| CCB Consumer Finance | CCB Consumer Finance Co., Ltd. |
| CCB Europe | China Construction Bank (Europe) S.A. |
| CCB Financial Leasing | CCB Financial Leasing Co., Ltd. |
| CCB FinTech | CCB FinTech Co., Ltd. |
| CCB Futures | CCB Futures Co., Ltd. |
| CCB Housing | CCB Housing Services Co., Ltd. |
| CCB Housing Rental | CCB Housing Rental Private Fund Management Co., Ltd. |
| CCB Housing Rental Fund | CCB Housing Rental Fund (Limited Partnership) |
| CCB Indonesia | PT Bank China Construction Bank Indonesia Tbk |
| CCB International | CCB International (Holdings) Limited |
| CCB Investment | CCB Financial Asset Investment Co., Ltd. |
| CCB Life | CCB Life Insurance Co., Ltd. |
| CCB London | China Construction Bank (London) Limited |
| CCB Malaysia | China Construction Bank (Malaysia) Berhad |
| CCB New Zealand | China Construction Bank (New Zealand) Limited |

# DEFINITIONS

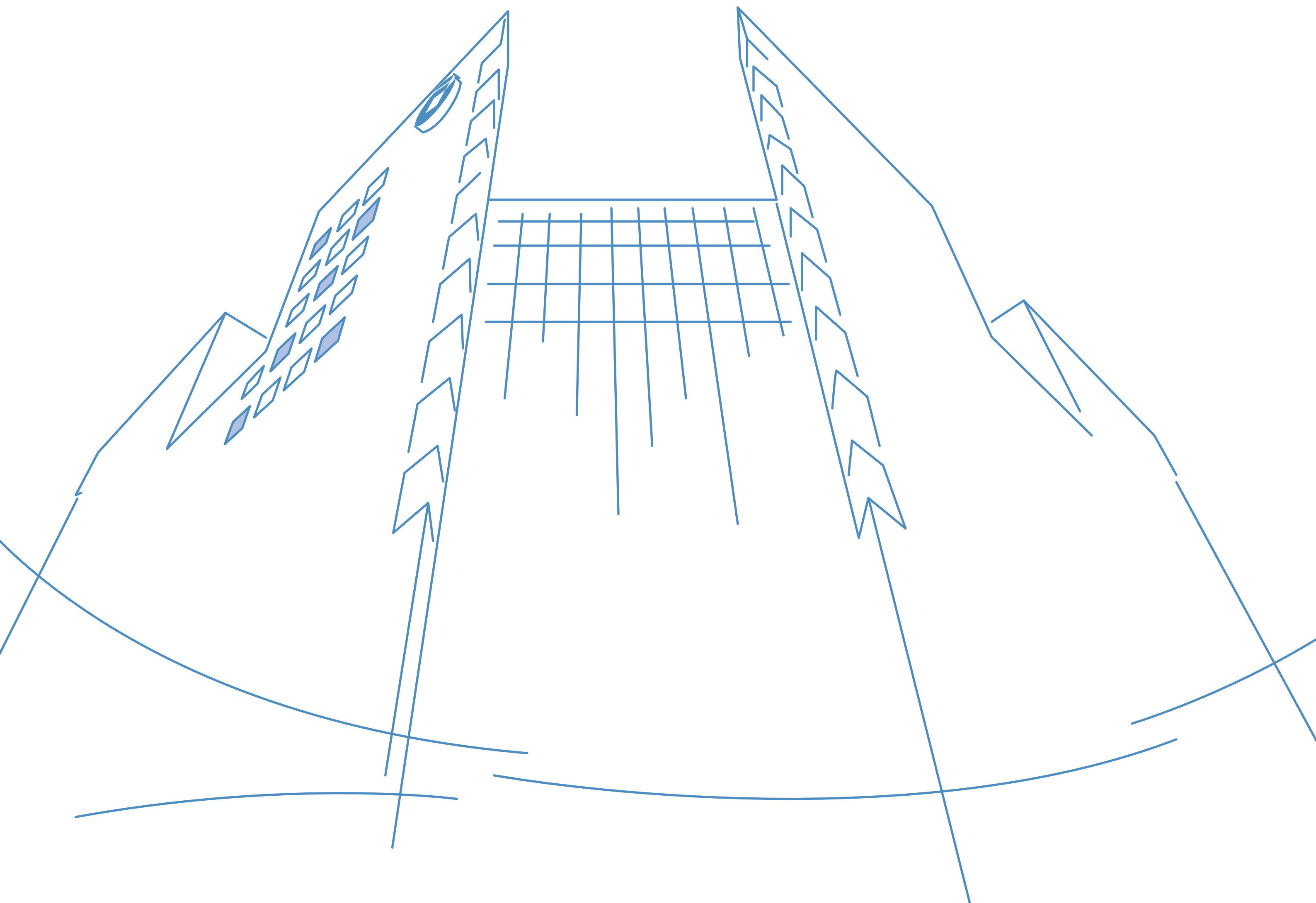
| | |
|---|---|
| CCB Pension | CCB Pension Management Co., Ltd. |
| CCB Principal Asset Management | CCB Principal Asset Management Co., Ltd. |
| CCB Private Equity | CCB Private Equity Investment Management Co., Ltd. |
| CCB Property & Casualty | CCB Property & Casualty Insurance Co., Ltd. |
| CCB Russia | China Construction Bank (Russia) Limited |
| CCB Trust | CCB Trust Co., Ltd. |
| CCB Wealth Management | CCB Wealth Management Co., Ltd. |
| Sino-German Bausparkasse | Sino-German Bausparkasse Co., Ltd. |
| ***Platforms, products and services*** | |
| CCB Huidongni | An integrated ecological service platform built by the Bank for inclusive finance customers by using the Internet, big data, artificial intelligence and biometric technologies |
| CCB Match Plus | An open platform leveraging FinTech to provide corporate customers with cross-border smart matchmaking services and comprehensive financial solutions in cross-border transaction scenarios |
| CCB Start-up Station | A one-stop online and offline comprehensive service platform featuring "Finance + Incubation + Industry + Education" for startups and innovative enterprises, established by the Bank in cooperation with government departments, venture capital investment companies, core enterprises, research institutions and incubators with internal and external high-quality resources |
| Cross-border Quick Loan | An online unsecured trade financing service provided by the Bank for small and micro cross-border trade enterprises |
| FITS e+ | A sub-brand of FITS® (Financial Total Solutions) that provides multi-dimensional services including all round investment and financing matchmaking and specialised think tanks for various types of customers based on CCB's strength as a group |
| Long Pay | An internet-based enterprise-wide mobile digital payment brand of the Bank, which includes a group of comprehensive integrated payment and settlement products and services |
| Yunong Loan | A loan product provided by the Bank for agriculture-related proprietors, farmers mainly, which includes "Yunong Quick Loan" online products and "Yunongdai" offline products |
| Yunongtong | The Bank's comprehensive service platform to support rural revitalisation by implementing New Finance through offline service sites, online app and WeChat ecology |
| ***Others*** | |
| Listing Rules of Hong Kong Stock Exchange | Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| PRC GAAP | *Accounting Standards for Business Enterprises* and other relevant requirements promulgated by the MOF on 15 February 2006 and afterwards |
| New insurance contracts standard | *IFRS 17 Insurance Contracts* issued by International Accounting Standards Board, which came into effect on 1 January 2023 |
| New financial instruments standard | *International Financial Reporting Standard No. 9 – Financial Instruments* issued by International Accounting Standards Board, which came into effect on 1 January 2018 |
| IFRS | International Financial Reporting Standards |
| AML | Anti-money laundering |
| ESG | Environmental, Social and Governance |
| WMPs | Wealth management products |

# CORPORATE INTRODUCTION

China Construction Bank Corporation, headquartered in Beijing, is a leading large-scale commercial bank in China. Its predecessor, People's Construction Bank of China, was established in October 1954. It was listed on Hong Kong Stock Exchange in October 2005 (stock code: 939) and Shanghai Stock Exchange in September 2007 (stock code: 601939). At the end of 2023, the Bank's market capitalisation was approximately US$151,857 million, ranking eighth among all listed banks in the world. The Group ranks second among global banks by Tier 1 capital.

The Bank provides customers with comprehensive financial services, including corporate finance business, personal finance business, treasury and asset management business and others, serving 757 million personal customers and 10.82 million corporate customers. Moreover, it has subsidiaries in various sectors, including fund management, financial leasing, trust, insurance, futures, pension and investment banking. At the end of 2023, the Group had 376,871 staff members and 14,895 operating entities, including nearly 200 overseas entities which covered 31 countries and regions.

The Group implements the new development concept fully, accurately and comprehensively and supports the fostering of a new development pattern to promote high-quality development. It consciously practices finance activities in a politically oriented and people-centred manner, and further advances New Finance initiatives with the "Three Major Strategies" of housing rental, inclusive finance and FinTech, deeply cultivates key areas of national economy and people's livelihood, such as smart government affairs, rural revitalisation, green development, elderly care and healthcare, consumer finance, mega wealth management, FinTech, and county-level business expansion, so as to maximise values to stakeholders, including customers, shareholders, employees and society, assist in the construction of a "Financial Power", and create more magnificent chapters for New Finance in the path of Chinese modernisation.



## CORPORATE CULTURE

CCB adheres to the principle of honesty and trustworthiness, robustness and prudence, and compliance with laws and regulations, seeks profits while maintaining high ethical standards, pursues innovation while keeping integrity, actively develops a financial culture with Chinese characteristics, continuously advances New Finance initiatives, and fosters New Finance culture. It continuously enriches and refines cultural connotation and focuses on cultivating special cultures such as people-oriented development, service, risk, compliance, innovation, green and low-carbon transformation, integrity and consumer protection. It uses corporate culture as value guidance and strategic support, creates a unique corporate culture with CCB's characteristics, further enhances the cohesion of all employees of the Bank, drives high-quality development and contributes to the realisation of the people's expectation for a better life.

### Vision

Build a world class banking group with top value creation capability

### Missions

Provide better services to our customers, create higher value to our shareholders, build up broader career path for our associates, and assume full social responsibilities as a corporate citizen

### Core Values

Integrity, impartiality, prudence, and creation

### Style of work

Diligent, disciplined, truthful, and practical

### Philosophy

**Business concept:** Market-oriented, customer-centric

**Service concept:** Customer first, detail-focused

**Compliance concept:** Proactive compliance by all employees, and value creation through compliance

**Risk concept:** Steady, prudent, comprehensive, and proactive

**Innovation concept:** Encouraging, open, inclusive, and prudent

**Talent concept:** Respect talents, make a good use of talents, and retain talents

# CORPORATE INFORMATION

| | |
|---|---|
| Legal name and abbreviation in Chinese | 中國建設銀行股份有限公司 (abbreviated as "中國建設銀行") |
| Legal name and abbreviation in English | CHINA CONSTRUCTION BANK CORPORATION (abbreviated as "CCB") |
| Legal representative | Zhang Jinliang |
| Secretary to the Board | Hu Changmiao |
| Contact address | No. 25, Financial Street, Xicheng District, Beijing |
| Joint company secretaries | Qiu Jicheng and Chiu Ming King |
| Principal place of business in Hong Kong | 28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong |
| Registered address and office address | No. 25, Financial Street, Xicheng District, Beijing<br>Postcode:100033<br>Telephone: 86-10-67597114 |
| Websites | www.ccb.cn<br>www.ccb.com |
| Hotline for customer service and complaints | 95533 |
| Contact information for investors | Telephone: 86-10-66215533<br>Facsimile: 86-10-66218888<br>Email: ir@ccb.com |
| Media and websites for information disclosure | *China Securities Journal*, www.cs.com.cn<br>*Shanghai Securities News*, www.cnstock.com<br>*Securities Times*, www.stcn.com<br>*Securities Daily*, www.zqrb.cn |
| Website of Shanghai Stock Exchange for publishing the annual report prepared in accordance with PRC GAAP | www.sse.com.cn |
| HKEXnews website of Hong Kong Exchanges and Clearing Limited for publishing the annual report prepared in accordance with IFRS | www.hkexnews.hk |
| Place where copies of this annual report are kept | Board of Directors Office of the Bank |
| Listing stock exchanges, stock abbreviations and stock codes | A-share: Shanghai Stock Exchange<br>Stock abbreviation: 建設銀行<br>Stock code: 601939<br>H-share: The Stock Exchange of Hong Kong Limited<br>Stock abbreviation: CCB<br>Stock code: 939<br>Domestic preference share: Shanghai Stock Exchange<br>Stock abbreviation: 建行優1<br>Stock code: 360030 |

## CORPORATE INFORMATION

| | |
|---|---|
| Certified public accountants | Ernst & Young Hua Ming LLP<br>Address: 17/F, Ernst & Young Tower, Oriental Plaza, No. 1 East Changan Avenue, Dongcheng District, Beijing<br>Signing accountants: Jiang Changzheng, Gu Jun and Li Linlin<br>Ernst & Young<br>Address: 27/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong<br>Signing accountant: Choi Kam Cheong, Geoffrey |
| Legal advisor as to PRC laws | Commerce & Finance Law Offices<br>Address: 12-14/F, China World Office 2, No. 1 Jianguomenwai Avenue, Beijing |
| Legal advisor as to Hong Kong laws | Clifford Chance<br>Address: 27/F, Jardine House, One Connaught Place, Central, Hong Kong |
| A-share registrar | China Securities Depository and Clearing Corporation Limited, Shanghai Branch<br>Address: No. 188 Yanggaonan Road, Pudong New District, Shanghai |
| H-share registrar | Computershare Hong Kong Investor Services Limited<br>Address: Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong |
| Rating information | Standard & Poor's: long-term "A"/short-term "A-1"/stable outlook<br>Moody's: long-term "A1"/short-term "P-1"/negative outlook<br>Fitch: long-term "A"/short-term "F1+"/stable outlook<br>ESG rating of MSCI: AA |

## RANKINGS AND AWARDS

UK magazine The Banker

**Second in Top 1000**

**World Banks Ranking for ten consecutive years**

US magazine FORTUNE

**29th**

**in Fortune Global 500 2023**

US magazine FORBES

**4th**

**in Top 2000 World Banks 2023**

Singapore magazine THE ASIAN BANKER

**Best Retail Bank in Asia Pacific 2023**

**Best Retail Bank in China 2023**

**Best Mega-Retail Bank in China 2023**

US magazine GLOBAL FINANCE

**Best Investment Bank in China 2023**

**Best Corporate Social Responsibility Bank in China 2023**

China Securities Journal

**Golden Bull Award for Green Finance 2023**

International Finance Forum

**2023 IFF Global Green Finance Award Innovation Award**

FINANCIAL NEWS

**Best Bank for Sci-Tech Innovation Financial Service of Golden Dragon Award 2023**

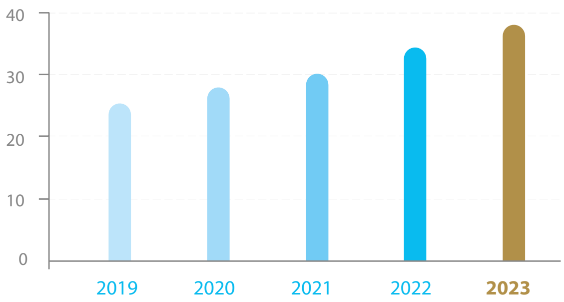
The Chinese Banker magazine

**Financial Innovation Excellence Institution 2023**

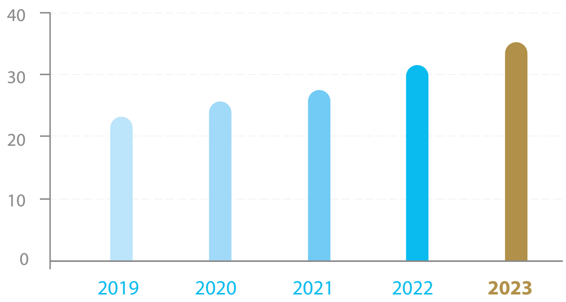
# FINANCIAL AND BUSINESS HIGHLIGHTS

## Achieving Steady Growth in Operating Performance with Stable and Balanced Core Indicators

Assets (in trillions of RMB)




Liabilities (in trillions of RMB)




ROA 0.91%

ROE 11.56%

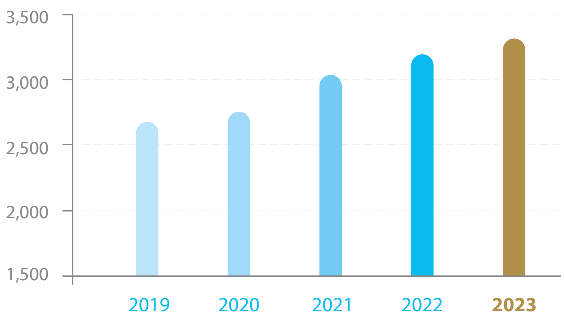
Total capital ratio 17.95%

Cost-to-income ratio 28.39%

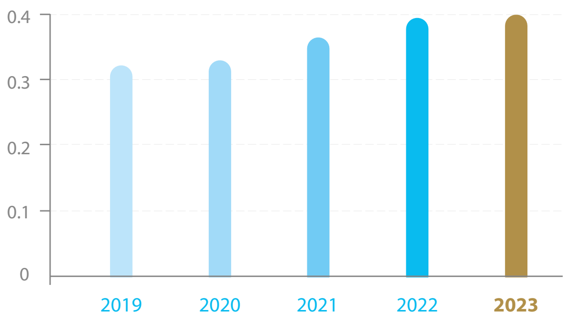
NPL Ratio 1.37%

Allowances to NPLs 239.85%

Net profit (in hundred million of RMB)




Dividends (RMB/share)




ESG rating of MSCI

**upgraded to AA**

## FINANCIAL AND BUSINESS HIGHLIGHTS

### Striving to Comprehensively Promote the New Finance Initiatives and Accumulate New Momentum for High-quality Development

**New Finance**

**Housing Rental**

- self-owned infrastructure public REITs have been officially accepted
- loan balance for corporate housing rental business exceeded RMB320 billion

**Inclusive Finance**

- The inclusive finance loan borrowers amounted to 3.17 million
- The certified enterprise users of "CCB Huidongni" app amounted to 12.17 million

**FinTech**

- Granted a total of 2,168 patents
- The size of computing power of "CCB Cloud" was 463.34PFlops, 7.6 times that of six years ago

**Rural Revitalisation**

- Nearly 14 million registered users of the "Yunongtong" APP with an aggregate amount of nearly RMB100 billion of agriculture-related credit support provided

**Smart Government Affairs Services**

- Built "all-in-one network" platforms or application scenarios for governments, with more than 270 million registered users
- Total transaction amount of the "government affairs services payment system" exceeded RMB300 billion

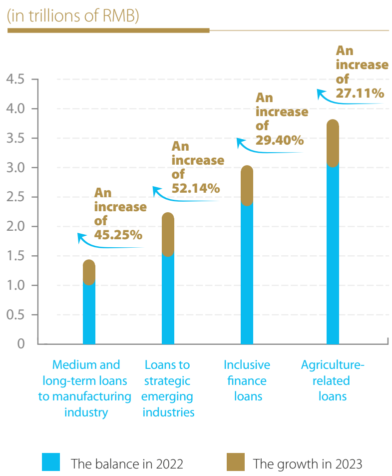
**Green Finance**

- The balance of green loans was RMB3.88 trillion
- Issued multiple batches of green bonds, with an amount equivalent to more than RMB24 billion

**Binary Star**

- The financial transaction customers of "binary star" platforms in 2023 amounted to 178 million
- The transaction scale of wealth products via mobile banking reached RMB6.86 trillion
- The cumulative registered users of "CCB Lifestyle" amounted to 128 million

### Better served the real economy



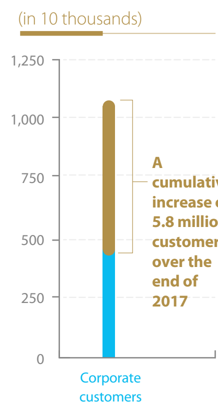

### Continuous optimisation of business structure

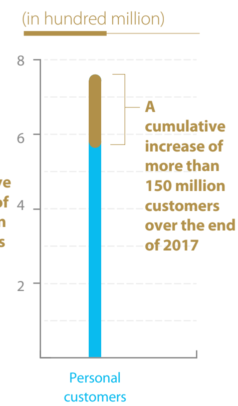
The growth rate of loans of key areas such as manufacturing industry, green finance, inclusive finance, sci-tech, happiness industry and consumer loans was significantly higher than the average growth rate of total loans with a stable increase in the proportion of the balance

Personal financial assets under management exceeded RMB18.50 trillion and the profit contribution from retail business accounted for 50%, maintaining CCB's position as the largest bank of retail credit

The asset size of financial market business exceeded RMB10 trillion and assets under custody exceeded RMB20 trillion, maintaining a steady development of the treasury and asset management business

### Continuous consolidation of the customer base



# FINANCIAL SUMMARY

The financial information set forth in this annual report is prepared on a consolidated basis in accordance with the IFRS and expressed in RMB unless otherwise stated.

| (Expressed in millions of RMB unless otherwise stated) | 2023 | 2022 (Restated) | Change (%) | 2022 (Before restatement) | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|---|---|
| **For the year** | | | | | | | |
| Operating income | **745,615** | 757,510 | (1.57) | 758,155 | 764,706 | 714,224 | 678,001 |
| Net interest income | **617,233** | 643,669 | (4.11) | 643,064 | 605,420 | 575,909 | 537,066 |
| Net fee and commission income | **115,746** | 116,085 | (0.29) | 116,085 | 121,492 | 114,582 | 110,898 |
| Other net non-interest income | **12,636** | (2,244) | N/A | (994) | 37,794 | 23,733 | 30,037 |
| Operating expenses | **(220,152)** | (219,991) | 0.07 | (222,314) | (219,182) | (188,574) | (188,132) |
| Credit impairment losses | **(136,774)** | (154,535) | (11.49) | (154,539) | (167,949) | (193,491) | (163,000) |
| Other impairment losses | **(463)** | (479) | (3.34) | (479) | (766) | 3,562 | (521) |
| Profit before tax | **389,377** | 383,699 | 1.48 | 382,017 | 378,412 | 336,616 | 326,597 |
| Net profit | **332,460** | 324,863 | 2.34 | 323,166 | 303,928 | 273,579 | 269,222 |
| Net profit attributable to equity shareholders of the Bank | **332,653** | 324,727 | 2.44 | 323,861 | 302,513 | 271,050 | 266,733 |
| Net profit attributable to ordinary shareholders of the Bank | **327,543** | 320,189 | 2.30 | 319,323 | 297,975 | 265,426 | 262,771 |
| Net cash received from operating activities | **642,850** | 978,419 | (34.30) | 978,419 | 436,718 | 580,685 | 581,287 |
| **As at 31 December** | | | | | | | |
| Total assets | **38,324,826** | 34,600,711 | 10.76 | 34,601,917 | 30,253,979 | 28,132,254 | 25,436,261 |
| Net loans and advances to customers | **23,083,377** | 20,493,042 | 12.64 | 20,495,117 | 18,170,492 | 16,231,369 | 14,542,001 |
| Total liabilities | **35,152,752** | 31,724,467 | 10.81 | 31,723,157 | 27,639,857 | 25,742,901 | 23,201,134 |
| Deposits from customers | **27,654,011** | 25,020,807 | 10.52 | 25,020,807 | 22,378,814 | 20,614,976 | 18,366,293 |
| Total equity | **3,172,074** | 2,876,244 | 10.29 | 2,878,760 | 2,614,122 | 2,389,353 | 2,235,127 |
| Total equity attributable to equity shareholders of the Bank | **3,150,145** | 2,855,450 | 10.32 | 2,856,733 | 2,588,231 | 2,364,808 | 2,216,257 |
| Share capital | **250,011** | 250,011 | – | 250,011 | 250,011 | 250,011 | 250,011 |
| Common Equity Tier 1 capital after regulatory adjustments[1] | **2,944,386** | 2,706,459 | 8.79 | 2,706,459 | 2,475,462 | 2,261,449 | 2,089,976 |
| Additional Tier 1 capital after regulatory adjustments[1] | **200,088** | 140,074 | 42.84 | 140,074 | 100,066 | 100,068 | 119,716 |
| Tier 2 capital after regulatory adjustments[1] | **876,187** | 793,905 | 10.36 | 793,905 | 676,754 | 471,164 | 427,896 |
| Total capital after regulatory adjustments[1] | **4,020,661** | 3,640,438 | 10.44 | 3,640,438 | 3,252,282 | 2,832,681 | 2,637,588 |
| Risk-weighted assets[1] | **22,395,908** | 19,767,834 | 13.29 | 19,767,834 | 18,215,893 | 16,604,591 | 15,053,291 |
| **Per share (In RMB)** | | | | | | | |
| Basic and diluted earnings per share[2] | **1.31** | 1.28 | 2.34 | 1.28 | 1.19 | 1.06 | 1.05 |
| Final cash dividend proposed after the reporting period | **0.400** | 0.389 | 2.83 | 0.389 | 0.364 | 0.326 | 0.320 |
| Net assets per share attributable to ordinary shareholders of the Bank | **11.80** | 10.86 | 8.66 | 10.87 | 9.95 | 9.06 | 8.39 |
| Net cash received from operating activities per share | **2.57** | 3.91 | (34.27) | 3.91 | 1.75 | 2.32 | 2.33 |

1. Calculated in accordance with relevant regulations of the *Capital Rules for Commercial Banks (Provisional)*, advanced capital measurement approaches, and applicable rules for transitional period.
2. Calculated in accordance with the *Rule No. 9 on the Preparation of Information Disclosure of Companies Issuing Public Securities – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010)* issued by the CSRC.

## FINANCIAL SUMMARY

| | 2023 | 2022 (Restated) | Change +/(-) | 2022 (Before restatement) | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|---|---|
| **Profitability indicators (%)** | | | | | | | |
| Return on average assets[1] | **0.91** | 1.00 | (0.09) | 1.00 | 1.04 | 1.02 | 1.11 |
| Return on average equity | **11.56** | 12.30 | (0.74) | 12.27 | 12.55 | 12.12 | 13.18 |
| Net interest spread | **1.50** | 1.81 | (0.31) | 1.82 | 1.94 | 2.04 | 2.16 |
| Net interest margin | **1.70** | 2.01 | (0.31) | 2.02 | 2.13 | 2.19 | 2.32 |
| Net fee and commission income to operating income | **15.52** | 15.32 | 0.20 | 15.31 | 15.89 | 16.04 | 16.36 |
| Cost-to-income ratio[2] | **28.39** | 27.96 | 0.43 | 28.25 | 27.64 | 25.38 | 26.75 |
| **Capital adequacy indicators (%)** | | | | | | | |
| Common Equity Tier 1 ratio[3] | **13.15** | 13.69 | (0.54) | 13.69 | 13.59 | 13.62 | 13.88 |
| Tier 1 ratio[3] | **14.04** | 14.40 | (0.36) | 14.40 | 14.14 | 14.22 | 14.68 |
| Total Capital ratio[3] | **17.95** | 18.42 | (0.47) | 18.42 | 17.85 | 17.06 | 17.52 |
| Total equity to total assets | **8.28** | 8.31 | (0.03) | 8.32 | 8.64 | 8.49 | 8.79 |
| **Asset quality indicators (%)** | | | | | | | |
| Non-performing loan (NPL) ratio | **1.37** | 1.38 | (0.01) | 1.38 | 1.42 | 1.56 | 1.42 |
| Allowances to NPLs[4] | **239.85** | 241.53 | (1.68) | 241.53 | 239.96 | 213.59 | 227.69 |
| Allowances to total loans[4] | **3.28** | 3.34 | (0.06) | 3.34 | 3.40 | 3.33 | 3.23 |

1. Calculated by dividing net profit by average of total assets at the beginning and end of the year.
2. Operating expenses (after deduction of taxes and surcharges) divided by operating income.
3. Calculated in accordance with relevant regulations of the *Capital Rules for Commercial Banks (Provisional)*, the advanced capital measurement approaches, and applicable rules for transitional period.
4. Allowances for impairment losses on loans include allowances for impairment losses on discounted bills measured at fair value through other comprehensive income. Total loans and NPLs do not include accrued interest.

The following table sets forth the main quarterly financial indicators of the Group during the respective periods.

| | **2023** | | | | 2022 (Restated) | | | | 2022 (Before restatement) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (In millions of RMB) | **First quarter** | **Second quarter** | **Third quarter** | **Fourth quarter** | First quarter | Second quarter | Third quarter | Fourth quarter | First quarter | Second quarter | Third quarter | Fourth quarter |
| Operating income | **200,948** | **187,207** | **182,471** | **174,989** | 199,163 | 190,714 | 186,465 | 181,168 | 200,229 | 190,132 | 186,604 | 181,190 |
| Net profit attributable to equity shareholders of the Bank | **88,743** | **78,601** | **88,110** | **77,199** | 88,513 | 73,386 | 85,850 | 76,978 | 88,741 | 72,901 | 85,640 | 76,579 |
| Net cash from/(used in) operating activities | **370,787** | **443,828** | **(337,409)** | **165,644** | 479,940 | 335,561 | 8,764 | 154,154 | 479,940 | 335,561 | 8,764 | 154,154 |

# CHAIRMAN'S STATEMENT

**Zhang Jinliang** Chairman

## Dear shareholders,

2023 was the first year of fully implementing the guiding principles from the 20th National Congress of the Communist Party of China (CPC). Under strong leadership of the CPC Central Committee with Comrade Xi Jinping at the helm, CCB kept the original aspiration of finance in mind, maintained its strategic focus, thoroughly implemented the decisions and arrangements of the CPC Central Committee on economic and financial work, adhered to the principle of robustness and prudence, upheld both innovation and tradition, and focused on serving the real economy and maintaining financial stability. We explored a safer and more sustainable people-oriented path of high-quality development from cycle-traversing long-term and innovative professional perspectives and strove to win recognition and trust of our customers, shareholders, employees and the wider society.

While facing strategic opportunities and risks and challenges in operating environment, we used Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era to guide our action, fully grasped the economic and financial development laws in the new era, implemented new development concept completely, accurately and comprehensively, further promoted New Finance initiatives, and demonstrated our value in "seeking progress while maintaining stability". Firstly, we achieved **steady business growth and further improvement in structural adjustment.** At the end of 2023, the Group's total assets stood at RMB38.32 trillion, an increase of 10.76% over 2022. Core assets maintained reasonable growth, with net loans and advances to customers amounting to RMB23.08 trillion, an increase of 12.64%, with proportion to total assets rising by 1.00 percentage point. Bond investments amounted to RMB9.39 trillion, an increase of 13.02%, with proportion to total assets rising by 0.49 percentage points. Total liabilities amounted to RMB35.15 trillion, with high-quality liabilities continuing to expand. Deposits from customers amounted to RMB27.65 trillion, an increase of 10.52%. Secondly, we achieved **stable profit and further improvement in development quality.** In 2023, the Group achieved net profit of RMB332,460 million, an increase of 2.34%. Return on average assets was 0.91% and return on average equity was 11.56%. We integrated ESG and social responsibility concepts into business management, shared diverse values, helped improve people's livelihood, promoted low-carbon transformation, and CCB's ESG rating of MSCI was upgraded to AA. Thirdly, we achieved **effective risk control and further improvement in IT application**. We strengthened our risk prevention and control capabilities, and effectively played the role of financial stabiliser as a major state-owned bank. The NPL ratio was 1.37% and allowances to NPLs was 239.85%. We successfully completed the construction of the "Blue Chip" operation platform, effectively promoting the safe operation of financial market assets. CCB was also the first commercial bank awarded with the "Best Liquidity Risk Technology Implementation in China" by *The Asian Banker*. The Board proposed to pay a cash dividend of RMB0.40 per share (including tax) for the year, which will be submitted to the Annual General Meeting for consideration.

As a Chinese adage goes, "Victory is ensured when people pool their strength; success is secured when people put their heads together." Rooted in China for nearly seven decades, we are committed to winning in the long run by doing right things with arduous efforts of generations of CCB employees. We coordinate short-term tactics with long-term strategies and combine business logic with corporate responsibility. We grasp the pulse of the times, fulfil the original mission of "keeping the nation's development priorities in mind", continuously enhance our market competitiveness, value creation and risk control capabilities, and devote ourselves to serving people's ever-changing aspirations for a better life.

**Focusing on its main business while deeply rooted in the real economy.** From assisting manufacturers of equipment of national strategic importance to serving long-tail customers in the real economy, we adhered to our principle of serving the real economy with financial services and made great efforts to inject vitality into the real economy as a force of finance. We provided strong support for stabilising the economy with an increase of RMB2.66 trillion in gross loans and advances to customers, and underwrote more than RMB2 trillion of government bonds. We adopted targeted measures to support key areas, continuously increased financial supply in key areas such as manufacturing, green industry, agriculture-related industry, happiness industries, supply chain and consumption, and increased our efforts in providing services for small and medium-sized enterprises that use special and sophisticated technologies to produce novel and unique products and sci-tech innovation enterprises to support the development and growth of private economy and private enterprises. As we firmly supported major regional strategies, the proportion of loans granted to regions including the Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area and the Chengdu-Chongqing Economic Circle rose, loans granted to Central and Western and Northeast regions increased more than the previous year, and we also made progress in serving the construction of Xiong'an New Area. We helped to expand high-level financial opening-up, with annual supply of trade finance reaching RMB1.82 trillion, and annual cross-border RMB settlement volume exceeded RMB4 trillion. We effectively reduced fees and cut prices, and interest rates on new non-discount corporate loans and inclusive loans continued to decline from 2022.

**Engaging in broader New Finance practices to make profits while maintaining ethical standards.** We thoroughly implemented new development concept, continued to promote New Finance initiatives, carried out our work from a holistic view and with the whole picture in mind, and empowered high-quality and efficient services for "Five Major Chapters". We maintained our position as the largest financial institution in terms of inclusive finance, with inclusive finance loans exceeding RMB3 trillion, giving full support to numerous entrepreneurs. In terms of housing rental, we improved the closed-loop services of "investment, financing, management and withdrawal", and supported more than 700 government-subsidised rental housing projects, providing people with affordable housing. In terms of rural revitalisation, the Bank's agriculture-related loans amounted to RMB3.82 trillion, with around 350 thousand "Yunongtong" service sites serving more than 62 million rural customers, promoting comprehensive rural revitalisation. In terms of green finance, the Bank's green loans amounted to RMB3.88 trillion, the proportion of which in total loans rising by more than three percentage points over 2022, promoting the nation's green development. In terms of FinTech, we completed the migration of domestic personal business from core banking system to distributed core system and were granted Level 5 certification of Data Management Capability Maturity Assessment Model (DCMM), enabling the synergy of "Finance + Technology".

**Stimulating more dynamic segment collaboration and making concerted progress.** We unswervingly promoted the integrated development of the three business segments -corporate finance, personal finance and treasury and asset management, formed a cross-segment, cross-regional and cross-service line collaboration, and achieved remarkable results in the Group's integrated operations, invigorating the inherent impetus of high-quality development. In terms of corporate finance, we focused on consolidating the foundation. We attached equal importance to the traditional businesses and the "second curve", and focused on the overall balance of volume, pricing and risk as for assets, and strengthened fund attraction and recycling within the Group as for liabilities. The number of the Bank's corporate customers was 10.82 million, and corporate loans maintained a rapid growth. In terms of personal finance, we focused on improving quality and efficiency. We developed a retail credit business structure supported by multiple products, and consolidated CCB's advantages as the largest bank in retail loan business. The retail business contributed half of the profit of the Group. The number of personal customers reached 757 million and personal financial assets under management by the Bank exceeded RMB18.50 trillion. In terms of treasury and asset management, we focused on steady development. We implemented graded, tiered and categorised management of financial institution customers, with asset size of financial market business exceeding RMB10 trillion. We created a pension financial brand of "Jianyangan", and assets under the Bank's custody exceeded RMB20 trillion for the first time.

## CHAIRMAN'S STATEMENT

**Building a more solid operating foundation with agile empowerment and lean management.** We upheld the concept of "timely reflection and continuous innovation" and accelerated our digitalised operation. The mobile banking app (icon in blue) provides a variety of financial service functions, and the annual transaction volume of wealth management products reached RMB6.86 trillion; the "CCB Lifestyle" app (icon in orange), closely linked to people's daily life, had 128 million registered users. "CCB Lifestyle" and mobile banking shared their users and traffic, outperforming peers in terms of high-quality active users. With the understanding that "Handy tools make good work", we pressed ahead with comprehensive operations of channels. We deepened the graded and categorised management of outlets, and the proportion of flagship and comprehensive outlets rose by 2.86 percentage points. Our efforts in reducing the burden for grass-roots outlets have paid off. Around 25 minutes was saved for the opening of a corporate account, and over 10 minutes was saved for that of a personal account. As the Chinese saying goes, "Cherish what you have, since the journey to obtaining it is beset with bramble." We comprehensively promoted refined cost management by strengthening source control in key areas such as capital expenditures, and reinforcing budget management, cost assessment and supervision and inspection of financial expenditures, so as to reduce ineffective and inefficient expenditures. The Group's cost-to-income ratio was 28.39%, maintaining the leading position in the industry.

**Building a more robust prevention and control system to firmly safeguard the bottom line of risks.** We adhered to holistic concepts, adopted targeted measures while taking multiple factors into consideration, and pushed forward the upgrade and expansion of the comprehensive, proactive and intelligent risk control system. We intensified the Group's comprehensive risk management and built an all-encompassing organisational structure of risk management at the group level with clear responsibilities and powers and scientific checks and balances. We enhanced coordinated risk control capabilities of "three lines of defence", accelerated the construction of an enterprise-level risk management platform, and promoted Basel III compliance in an orderly manner. We strengthened forward-looking and proactive risk control in key areas such as real estate and local government debts. The indicators such as overdue ratio, proportion of special mention loans and default ratio remained sound, and risks including credit risk, market risk, liquidity risk and operational risk were all stable and within control. In addition, we advanced the development of a digital compliance management system, strictly enforced regulations and accountability and conducted solid and effective fundamental management in terms of staff behaviour, related party transactions and anti-money laundering.

The year 2024 marks the 75th anniversary of the founding of the People's Republic of China, a key year for achieving the goals and tasks of the "14th Five-Year Plan", and the 70th anniversary of the establishment of CCB. Aiming at higher-quality development, we will firmly implement the spirit of the 20th CPC National Congress, the Central Financial Work Conference and the Central Economic Work Conference, focus on our main responsibilities, and continuously optimise and strengthen our main businesses. We will also strengthen coordination of size and structure, scale and profits, short-term and long-term goals, part and the whole, and development and security, and take the path of financial development with Chinese characteristics. We will forge ahead with confidence and join hands to take coordinated actions. Focusing on serving national strategies, we will fully support the "Five Major Chapters", i.e., technology finance, green finance, inclusive finance, pension finance and digital finance. We will scientifically promote balanced development, comprehensively strengthen our business foundation, improve the efficiency of operation and management, and effectively prevent and mitigate risks, so as to realise our value in serving the real economy, and obtain reasonable returns in promoting high-quality development.

Finance, as a force for good, calls for seeking profits while maintaining high ethical standards. We will step forward with determination, hand in hand with the people, and together embark on the new journey to a better life.

Zhang Jinliang
*Chairman*

28 March 2024

# MANAGEMENT DISCUSSION AND ANALYSIS



## FINANCIAL REVIEW

In 2023, the global economic recovery further diverged. Inflationary pressures in developed economies were generally relieved, and the interest rate hike cycle came to a close. The US economy was generally stable, while the European economy was weak. China's economy picked up, with steady improvement in supply and demand, positive progress in transformation and upgrading, and overall stability in employment and prices. Moreover, China's consumption recovered rapidly, investment continued to expand, and overall import and export remained stable. The overall agricultural production was robust, industrial production turned around, and the service industry saw a rapid growth. Financial markets were stable as a whole. Transactions in money market were active, and the bond market reported a steady growth in size. China's gross domestic product (GDP) and consumer price index (CPI) increased by 5.2% and 0.2% year on year respectively.

In 2023, China's financial regulation ushered in drastic reforms. The central financial regulators made adjustments to their organisational setup, optimised their responsibilities, and constructed a new financial regulatory framework consisting of the PBC, the NFRA and the CSRC. Financial regulators comprehensively strengthened supervision, prevented and resolved financial risks, and issued various regulations such as the *Rules on Risk Classification of Financial Assets of Commercial Banks,* the *Capital Rules for Commercial Banks,* and the *Rules on Operational Risk Management of Banking and Insurance Institutions*, so as to enhance the overall risk management of the banking industry. They promoted high-quality development of finance, increased support for manufacturing, strategic emerging industries and sci-tech innovation industries, improved the green finance system, facilitated the integrated development of the digital economy and the real economy, vigorously developed inclusive finance, improved the financial services for private enterprises, small and micro businesses and new urban residents, deepened the supply-side structural reform in the financial sector, continuously reinforced the corporate governance of financial institutions, and steadily improved the operation and management capabilities. At the end of 2023, total assets of banking financial institutions amounted to RMB417.3 trillion, a year-on-year increase of 9.9%, with steady growth in major businesses. The NPL ratio of commercial banks was 1.59%, and total capital ratio was 15.06%. The asset quality of commercial banks remained solid, and the risk mitigation capability was sufficient as a whole.

In 2023, the Group actively served the real economy and continued to advance New Finance initiatives. It maintained solid operating performance that met the expectation. The Group's total assets reached RMB38.32 trillion, an increase of 10.76% over 2022, of which net loans and advances to customers were RMB23.08 trillion, an increase of 12.64%. Total liabilities amounted to RMB35.15 trillion, an increase of 10.81%, of which deposits from customers totalled RMB27.65 trillion, an increase of 10.52%. The Group achieved net profit of RMB332,460 million, an increase of 2.34%. Return on average assets was 0.91%, return on average equity was 11.56%, and total capital ratio was 17.95%. The core indicators remained balanced and coordinated, and the asset quality maintained stable on the whole.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

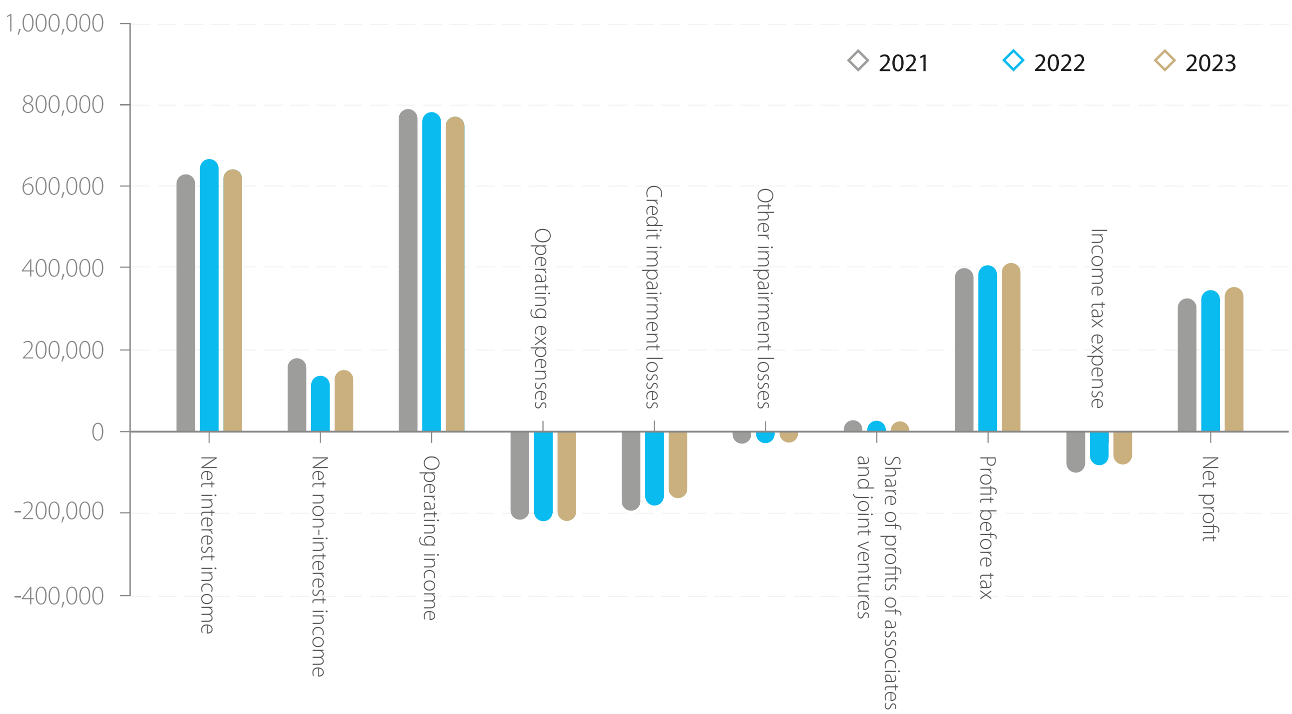
## STATEMENT OF COMPREHENSIVE INCOME ANALYSIS

In 2023, the Group witnessed steady growth in its profitability, with profit before tax of RMB389,377 million, an increase of 1.48% over 2022, and net profit of RMB332,460 million, an increase of 2.34% over 2022. Key factors affecting the Group's profitability are as follows: Firstly, net interest income decreased by RMB26,436 million, or 4.11% from 2022, due to factors such as the Bank's continuous efforts in surrendering profits to support the real economy and the overall decline of market interest rates. Secondly, net fee and commission income decreased by RMB339 million, or 0.29% from 2022, due to factors such as market environment changes and the reduction and exemption of fees. Thirdly, as the Group continued to improve cost management and optimise expenditure structure, and actively supported New Finance initiatives, customers and accounts marketing, and strategy implementation, the operating expenses increased by 0.07% over 2022. Cost-to-income ratio was 28.39%, staying at a sound level. Fourthly, the Group made provisions for impairment losses on assets based on the growth of assets, asset quality and macroeconomic factors, and the total impairment losses dropped by 11.47% from 2022 primarily due to the improvement in macroeconomic conditions as compared to 2022.

The following table sets forth the composition of the Group's statement of comprehensive income and the changes during the respective periods.

| (In millions of RMB, except percentages) | **2023** | 2022 | Change (%) | 2021 |
|---|---|---|---|---|
| Net interest income | 617,233 | 643,669 | (4.11) | 605,420 |
| Net non-interest income | 128,382 | 113,841 | 12.77 | 159,286 |
| – Net fee and commission income | 115,746 | 116,085 | (0.29) | 121,492 |
| Operating income | 745,615 | 757,510 | (1.57) | 764,706 |
| Operating expenses | (220,152) | (219,991) | 0.07 | (219,182) |
| Credit impairment losses | (136,774) | (154,535) | (11.49) | (167,949) |
| Other impairment losses | (463) | (479) | (3.34) | (766) |
| Share of profits of associates and joint ventures | 1,151 | 1,194 | (3.60) | 1,603 |
| Profit before tax | 389,377 | 383,699 | 1.48 | 378,412 |
| Income tax expense | (56,917) | (58,836) | (3.26) | (74,484) |
| Net profit | 332,460 | 324,863 | 2.34 | 303,928 |

Compositions and Changes of Comprehensive Income (In millions of RMB)



### Net Interest Income

In 2023, the Group's net interest income amounted to RMB617,233 million, a decrease of RMB26,436 million, or 4.11% from 2022. Net interest income accounted for 82.78% of operating income.

The following table sets forth the Group's average balances of assets and liabilities, related interest income or expense, and average yields or costs during the respective periods.

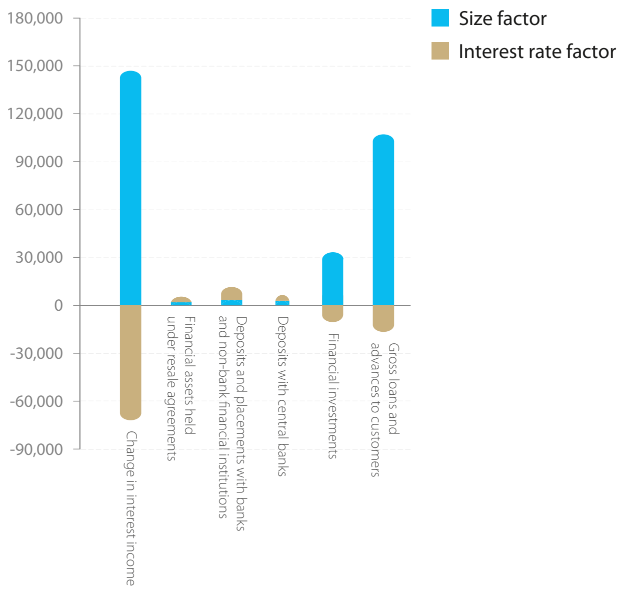
| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| (In millions of RMB, except percentages) | Average balance | Interest income/ Interest expense | Average yield/cost ratio (%) | Average balance | Interest income/ Interest expense | Average yield/ cost ratio (%) |
| Assets | | | | | | |
| Gross loans and advances to customers | 22,996,225 | 877,917 | 3.82 | 20,267,844 | 845,913 | 4.17 |
| Financial investments | 8,576,102 | 278,524 | 3.25 | 7,555,707 | 256,242 | 3.39 |
| Deposits with central banks | 2,741,943 | 45,636 | 1.66 | 2,567,571 | 39,177 | 1.53 |
| Deposits and placements with banks and non-bank financial institutions | 862,984 | 25,678 | 2.98 | 719,791 | 14,217 | 1.98 |
| Financial assets held under resale agreements | 1,027,075 | 19,611 | 1.91 | 897,833 | 15,024 | 1.67 |
| Total interest-earning assets | 36,204,329 | 1,247,366 | 3.45 | 32,008,746 | 1,170,573 | 3.66 |
| Total allowances for impairment losses | (780,649) | | | (713,041) | | |
| Non-interest-earning assets | 1,770,148 | | | 1,820,160 | | |
| Total assets | 37,193,828 | 1,247,366 | | 33,115,865 | 1,170,573 | |
| Liabilities | | | | | | |
| Deposits from customers | 26,453,554 | 468,003 | 1.77 | 23,315,100 | 402,250 | 1.73 |
| Deposits and placements from banks and non-bank financial institutions | 3,238,337 | 80,879 | 2.50 | 2,927,975 | 56,807 | 1.94 |
| Debt securities issued | 1,727,343 | 54,504 | 3.16 | 1,530,476 | 45,857 | 3.00 |
| Borrowings from central banks | 887,112 | 23,785 | 2.68 | 726,731 | 20,470 | 2.82 |
| Financial assets sold under repurchase agreements | 88,095 | 2,962 | 3.36 | 52,721 | 1,520 | 2.88 |
| Total interest-bearing liabilities | 32,394,441 | 630,133 | 1.95 | 28,553,003 | 526,904 | 1.85 |
| Non-interest-bearing liabilities | 1,785,647 | | | 1,795,767 | | |
| Total liabilities | 34,180,088 | 630,133 | | 30,348,770 | 526,904 | |
| Net interest income | | 617,233 | | | 643,669 | |
| Net interest spread | | | 1.50 | | | 1.81 |
| Net interest margin | | | 1.70 | | | 2.01 |

In 2023, the loan prime rate (LPR) was lowered twice to effectively support the development of the real economy and promote the steady decline in the cost of social financing, and the overall net interest margin of the Chinese banking sector declined to varying degrees depending on the banks' business structures and strategies. The Group adhered to its customer-centric concept, stayed abreast of market trends, reasonably allocated assets and liabilities, and continuously increased its support for the real economy. Loan yield was lower than that of 2022 due to the downward adjustment of LPR, repricing of outstanding loans and other factors; yield of debt securities fell due to the decline of market interest rates; deposit cost was higher due to intensified market competition. As a result, net interest spread was 1.50%, and net interest margin was 1.70%, both down 31 basis points over 2022. The Group will continuously pay attention to changes in the operating environment and strengthen dynamic monitoring and risk analysis. It will continue to improve its operational capability and management standard by optimising its asset and liability structure, strengthening integrated and differentiated pricing management, expanding low-cost funds so as to consolidate management results and maintain a relatively high net interest margin among its peers.

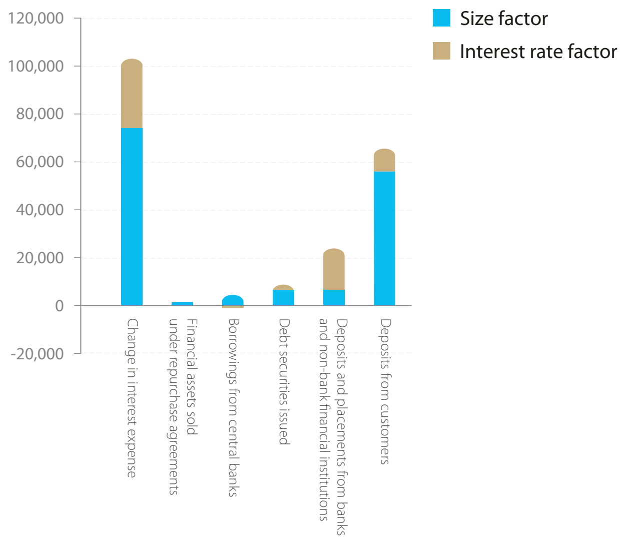
MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Change in interest income (In millions of RMB)




### Change in interest expense (In millions of RMB)




The following table sets forth the effects of the movement of average balances and average interest rates of the Group's assets and liabilities on the change in interest income and expense in 2023 as compared with 2022.

| (In millions of RMB) | Size factor[1] | Interest rate factor[1] | Change in interest income/expense |
|---|---|---|---|
| **Assets** | | | |
| Gross loans and advances to customers | 107,102 | (75,098) | 32,004 |
| Financial investments | 33,265 | (10,983) | 22,282 |
| Deposits with central banks | 2,869 | 3,590 | 6,459 |
| Deposits and placements with banks and non-bank financial institutions | 3,239 | 8,222 | 11,461 |
| Financial assets held under resale agreements | 2,295 | 2,292 | 4,587 |
| **Change in interest income** | 148,770 | (71,977) | 76,793 |
| **Liabilities** | | | |
| Deposits from customers | 56,114 | 9,639 | 65,753 |
| Deposits and placements from banks and non-bank financial institutions | 6,466 | 17,606 | 24,072 |
| Debt securities issued | 6,113 | 2,534 | 8,647 |
| Borrowings from central banks | 4,367 | (1,052) | 3,315 |
| Financial assets sold under repurchase agreements | 1,155 | 287 | 1,442 |
| **Change in interest expense** | 74,215 | 29,014 | 103,229 |
| **Change in net interest income** | 74,555 | (100,991) | (26,436) |

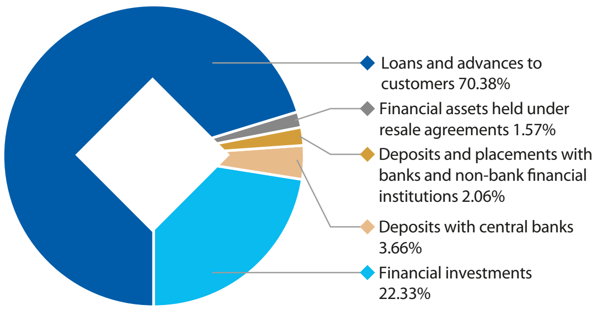
1. Changes caused by both average balances and average interest rates were allocated to the volume factor and interest rate factor respectively based on the respective proportions of absolute values of volume factor and interest rate factor.

Net interest income decreased by RMB26,436 million from 2022. Specifically, an increase of RMB74,555 million was due to the movement of average balances of assets and liabilities, and a decrease of RMB100,991 million was due to the movement of average yields and costs.

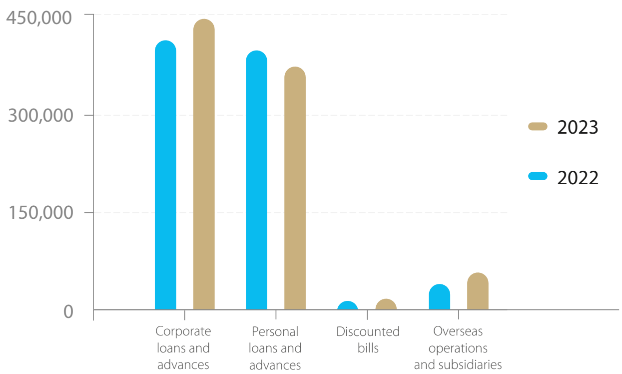
### Interest income

In 2023, the Group achieved interest income of RMB1.25 trillion, an increase of RMB76,793 million or 6.56% over 2022. Specifically, interest income from loans and advances to customers, interest income from financial investments, interest income from deposits with central banks, interest income from deposits and placements with banks and non-bank financial institutions, and interest income from financial assets held under resale agreements accounted for 70.38%, 22.33%, 3.66%, 2.06% and 1.57%, respectively.

Percentage of interest income




Structure of interest income from loans and advances to customers (In millions of RMB)




The following table sets forth the average balance, interest income and average yield of each component of the Group's loans and advances to customers during the respective periods.

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| (In millions of RMB, except percentages) | Average balance | Interest income | Average yield (%) | Average balance | Interest income | Average yield (%) |
| Corporate loans and advances | 12,670,662 | 441,221 | 3.48 | 10,436,109 | 408,425 | 3.91 |
| Short-term loans | 3,530,267 | 110,506 | 3.13 | 2,994,263 | 103,023 | 3.44 |
| Medium to long-term loans | 9,140,395 | 330,715 | 3.62 | 7,441,846 | 305,402 | 4.10 |
| Personal loans and advances | 8,416,318 | 369,842 | 4.39 | 8,069,630 | 392,190 | 4.86 |
| Discounted bills | 934,861 | 12,334 | 1.32 | 698,593 | 10,216 | 1.46 |
| Overseas operations and subsidiaries | 974,384 | 54,520 | 5.60 | 1,063,512 | 35,082 | 3.30 |
| Gross loans and advances to customers | 22,996,225 | 877,917 | 3.82 | 20,267,844 | 845,913 | 4.17 |

Interest income from loans and advances to customers amounted to RMB877,917 million, an increase of RMB32,004 million or 3.78% over 2022, mainly driven by the 13.46% increase in the average balance of loans and advances to customers over 2022.

Interest income from financial investments amounted to RMB278,524 million, an increase of RMB22,282 million or 8.70% over 2022, mainly due to the 13.50% increase in the average balance of financial investments over 2022.

Interest income from deposits with central banks amounted to RMB45,636 million, an increase of RMB6,459 million or 16.49% over 2022, mainly due to the 6.79% increase in the average balance of deposits with central banks and the 13 basis points increase in the average yield over 2022.

Interest income from deposits and placements with banks and non-bank financial institutions amounted to RMB25,678 million, an increase of RMB11,461 million or 80.61% over 2022, mainly due to the 19.89% increase in the average balance of deposits and placements with banks and non-bank financial institutions and the 100 basis points increase in the average yield over 2022.

Interest income from financial assets held under resale agreements amounted to RMB19,611 million, an increase of RMB4,587 million or 30.53% over 2022, mainly due to the 14.39% increase in the average balance of financial assets held under resale agreements and the 24 basis points increase in the average yield over 2022.

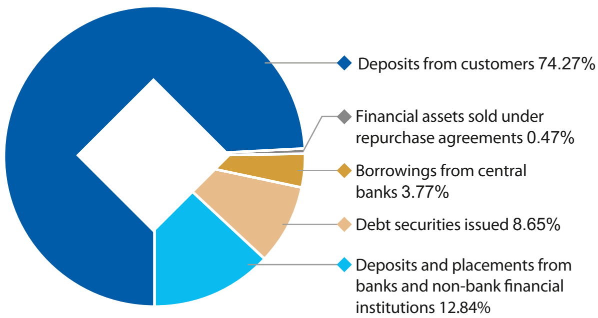
MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

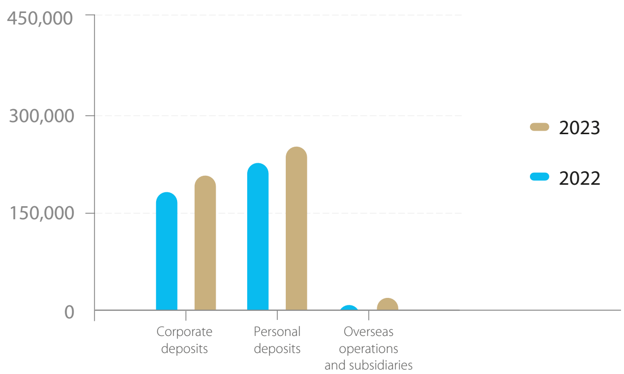
### Interest expense

In 2023, the Group's interest expense reached RMB630,133 million, an increase of RMB103,229 million or 19.59% over 2022. Specifically, interest expense on deposits from customers accounted for 74.27%, interest expense on deposits and placements from banks and non-bank financial institutions accounted for 12.84%, interest expense on debt securities issued accounted for 8.65%, interest expense on borrowings from central banks accounted for 3.77%, and interest expense on financial assets sold under repurchase agreements accounted for 0.47%.

#### Percentage of interest expense




#### Structure of interest expense on deposits from customers (In millions of RMB)




The following table sets forth the average balance, interest expense and average cost of each component of the Group's deposits from customers during the respective periods.

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| (In millions of RMB, except percentages) | Average balance | Interest expense | Average cost (%) | Average balance | Interest expense | Average cost (%) |
| Corporate deposits | 11,770,409 | 203,151 | 1.73 | 10,712,344 | 178,003 | 1.66 |
| Demand deposits | 6,412,315 | 62,546 | 0.98 | 6,435,783 | 59,886 | 0.93 |
| Time deposits | 5,358,094 | 140,605 | 2.62 | 4,276,561 | 118,117 | 2.76 |
| Personal deposits | 14,216,347 | 247,154 | 1.74 | 12,102,090 | 220,913 | 1.83 |
| Demand deposits | 5,362,877 | 12,738 | 0.24 | 4,929,204 | 14,302 | 0.29 |
| Time deposits | 8,853,470 | 234,416 | 2.65 | 7,172,886 | 206,611 | 2.88 |
| Overseas operations and subsidiaries | 466,798 | 17,698 | 3.79 | 500,666 | 3,334 | 0.67 |
| Total deposits from customers | 26,453,554 | 468,003 | 1.77 | 23,315,100 | 402,250 | 1.73 |

Interest expense on deposits from customers was RMB468,003 million, an increase of RMB65,753 million or 16.35% over 2022, mainly because the average balance of deposits from customers increased by 13.46% and the average cost rose by four basis points over 2022.

Interest expense on deposits and placements from banks and non-bank financial institutions was RMB80,879 million, an increase of RMB24,072 million or 42.38% over 2022, mainly because the average balance of deposits and placements from banks and non-bank financial institutions increased by 10.60%, and the average cost rose by 56 basis points over 2022.

Interest expense on debt securities issued was RMB54,504 million, an increase of RMB8,647 million or 18.86% over 2022, mainly because the average balance of debt securities issued increased by 12.86% and the average cost rose by 16 basis points over 2022.

Interest expense on borrowings from central banks was RMB23,785 million, an increase of RMB3,315 million or 16.19% over 2022, mainly because the average balance of borrowings from central banks increased by 22.07% over 2022.

Interest expense on financial assets sold under repurchase agreements was RMB2,962 million, an increase of RMB1,442 million or 94.87% over 2022, mainly because the average balance of financial assets sold under repurchase agreements increased by 67.10%, and the average cost rose by 48 basis points over 2022.

## Net Non-interest Income

The following table sets forth the composition and change of the Group's net non-interest income during the respective periods.

| (In millions of RMB, except percentages) | 2023 | 2022 | Change (%) |
|---|---|---|---|
| Fee and commission income | 129,906 | 130,830 | (0.71) |
| Fee and commission expense | (14,160) | (14,745) | (3.97) |
| Net fee and commission income | 115,746 | 116,085 | (0.29) |
| Other net non-interest income | 12,636 | (2,244) | N/A |
| Total net non-interest income | 128,382 | 113,841 | 12.77 |

In 2023, the Group's net non-interest income reached RMB128,382 million, an increase of RMB14,541 million or 12.77% over 2022. Net non-interest income accounted for 17.22% of operating income.

### Net fee and commission income

The following table sets forth the composition and change of the Group's net fee and commission income during the respective periods.

| (In millions of RMB, except percentages) | 2023 | 2022 | Change (%) | 2021 |
|---|---|---|---|---|
| Fee and commission income | 129,906 | 130,830 | (0.71) | 138,637 |
| Settlement and clearing fees | 37,637 | 36,567 | 2.93 | 37,265 |
| Bank card fees | 21,071 | 17,098 | 23.24 | 21,148 |
| Agency service fees | 18,894 | 19,231 | (1.75) | 19,283 |
| Commission on trust and fiduciary activities | 18,389 | 17,738 | 3.67 | 17,284 |
| Consultancy and advisory fees | 10,892 | 10,731 | 1.50 | 11,658 |
| Income from asset management business | 10,680 | 16,185 | (34.01) | 18,550 |
| Others | 12,343 | 13,280 | (7.06) | 13,449 |
| Fee and commission expense | (14,160) | (14,745) | (3.97) | (17,145) |
| Net fee and commission income | 115,746 | 116,085 | (0.29) | 121,492 |

In 2023, the Group continued to implement the requirements of fee reduction to surrender part of profits, supported the real economy, and actively promoted business transformation. Net fee and commission income was RMB115,746 million, a decrease of RMB339 million or 0.29% from 2022, and the ratio of net fee and commission income to operating income was 15.52%.

Specifically, settlement and clearing service fees totalled RMB37,637 million, an increase of RMB1,070 million or 2.93% over 2022, mainly due to the rapid growth of electronic banking service fees. Bank card fees totalled RMB21,071 million, an increase of RMB3,973 million or 23.24% over 2022, mainly due to the rapid growth of fees from credit cards driven by further construction of consumption scenarios and better customer experience; and continuous value contributions driven by the ever-improving quality and efficiency of merchant businesses. Agency service fees totalled RMB18,894 million, a decrease of RMB337 million or 1.75% from 2022. This was mainly due to a decrease in income from agency fund sales amid capital market fluctuations and introduction of fee reduction policy, while the income from agency insurance service saw an increase driven by refined business structure. Commission on trust and fiduciary activities totalled RMB18,389 million, an increase of RMB651 million or 3.67% over 2022, mainly due to the rapid growth of the Group's income driven by giving full play to the advantages of syndicated loan products and improving its comprehensive customer service capabilities; and the steady growth of income from related businesses, as the Group pressed ahead with the digital development of the housing fund management and actively improved the service efficiency of housing provident fund. Consultancy and advisory fees totalled RMB10,892 million, an increase of RMB161 million or 1.50% over 2022, mainly because the income from businesses such as financial advisory and cost consulting services grew as the Group consolidated customer base and deepened digital empowerment. Income from asset management business was RMB10,680 million, a decrease of RMB5,505 million or 34.01% from 2022, mainly because income from wealth management and trust products decreased as a result of lower business volume.

### Other net non-interest income

The following table sets forth the composition and change of the Group's other net non-interest income during the respective periods.

| (In millions of RMB, except percentages) | **2023** | 2022 | Change (%) | 2021 |
|---|---|---|---|---|
| Dividend income | 5,712 | 6,135 | (6.89) | 5,921 |
| Net trading gain | 5,685 | 3,632 | 56.53 | 7,816 |
| Net gain on derecognition of financial assets measured at amortised cost | 946 | 322 | 193.79 | 4,634 |
| Net (loss)/gain arising from investment securities | (222) | (9,062) | (97.55) | 10,498 |
| Other operating income/(loss), net | 515 | (3,271) | N/A | 8,925 |
| Total other net non-interest income | 12,636 | (2,244) | N/A | 37,794 |

Other net non-interest income of the Group was RMB12,636 million, an increase of RMB14,880 million over 2022. Specifically, dividend income was RMB5,712 million, a decrease of RMB423 million from 2022; net trading gain was RMB5,685 million, an increase of RMB2,053 million over 2022, mainly due to the year-on-year increase in investment valuation and trading gain of certain financial assets as affected by market movements; net gain on derecognition of financial assets measured at amortised cost was RMB946 million, an increase of RMB624 million over 2022, mainly due to the increase in income from the transfer of securitised asset; net loss arising from investment securities was RMB222 million, a decrease of RMB8,840 million over 2022, mainly due to the year-on-year increase in gains on revaluation and disposal of shares held through debt-equity swap, equity investments and certain bond investments measured at fair value through profit or loss amid fluctuations in the stock market and bond market; other net operating income was RMB515 million, an increase of RMB3,786 million over 2022, mainly due to the year-on-year increase in gains related to foreign exchange business amid exchange rate fluctuations.

### Operating Expenses

The following table sets forth the composition of the Group's operating expenses during respective periods.

| (In millions of RMB, except percentages) | **2023** | 2022 | Change (%) | 2021 |
|---|---|---|---|---|
| Staff costs | 128,023 | 125,155 | 2.29 | 118,238 |
| Premises and equipment expenses | 32,450 | 33,558 | (3.30) | 35,542 |
| Taxes and surcharges | 8,476 | 8,154 | 3.95 | 7,791 |
| Others | 51,203 | 53,124 | (3.62) | 57,611 |
| Total operating expenses | 220,152 | 219,991 | 0.07 | 219,182 |
| Cost-to-income ratio (%) | 28.39 | 27.96 | 0.43 | 27.64 |

In 2023, the Group continuously strengthened cost management and optimised its expenses structure. Cost-to-income ratio reached 28.39%, up 0.43 percentage points over 2022, continuously staying at a sound level. Operating expenses were RMB220,152 million, an increase of RMB161 million or 0.07% over 2022. Specifically, staff costs were RMB128,023 million, an increase of RMB2,868 million or 2.29% over 2022, mainly due to the Group's continuously increasing efforts in frontline employee care; premises and equipment expenses were RMB32,450 million, a decrease of RMB1,108 million or 3.30% from 2022, mainly due to the year-on-year decrease in depreciation charges with strengthened intensive asset management; taxes and surcharges were RMB8,476 million, an increase of RMB322 million or 3.95% over 2022; other operating expenses were RMB51,203 million, a decrease of RMB1,921 million or 3.62% from 2022, mainly due to the decrease in general expenses driven by the reinforced total cost management.

### Impairment Losses

The following table sets forth the composition of the Group's impairment losses during respective periods.

| (In millions of RMB, except percentages) | 2023 | 2022 | Change (%) | 2021 |
|---|---|---|---|---|
| Loans and advances to customers | 144,682 | 139,741 | 3.54 | 160,324 |
| Financial investments | (7,842) | 4,026 | (294.78) | 16,298 |
| Financial assets measured at amortised cost | (7,468) | 1,869 | (499.57) | 15,830 |
| Financial assets measured at fair value through other comprehensive income | (374) | 2,157 | (117.34) | 468 |
| Others | 397 | 11,247 | (96.47) | (7,907) |
| Total impairment losses | 137,237 | 155,014 | (11.47) | 168,715 |

In 2023, the Group's impairment losses were RMB137,237 million, a decrease of RMB17,777 million or 11.47% from 2022. Impairment losses on financial investments decreased by RMB11,868 million, mainly due to improvement in macroeconomic performance compared with the previous year. Specifically, impairment losses on financial assets measured at amortised cost decreased by RMB9,337 million over 2022. Impairment losses on financial assets measured at fair value through other comprehensive income decreased by RMB2,531 million over 2022. Impairment losses on loans and advances to customers increased by RMB4,941 million over 2022, and other impairment losses decreased by RMB10,850 million over 2022.

### Income Tax Expense

In 2023, the Group's income tax expense was RMB56,917 million, a decrease of RMB1,919 million from 2022. The effective income tax rate was 14.62%, lower than the statutory rate of 25%. This was mainly because interest income from the PRC treasury bonds and local government bonds was non-taxable in accordance with the tax law.

### Analysed by Region

The following table sets forth the distribution of the Group's operating income by region as at the dates indicated.

| | 2023 | | 2022 | |
|---|---|---|---|---|
| (In millions of RMB, except percentages) | Amount | % of total | Amount | % of total |
| Yangtze River Delta | 126,955 | 17.03 | 121,356 | 16.02 |
| Pearl River Delta | 119,612 | 16.04 | 122,823 | 16.21 |
| Bohai Rim | 120,448 | 16.16 | 117,777 | 15.55 |
| Central | 130,734 | 17.53 | 128,242 | 16.93 |
| Western | 130,763 | 17.54 | 125,872 | 16.62 |
| Northeastern | 31,576 | 4.23 | 30,204 | 3.99 |
| Head office | 64,498 | 8.65 | 92,707 | 12.24 |
| Overseas | 21,029 | 2.82 | 18,529 | 2.44 |
| Operating income | 745,615 | 100.00 | 757,510 | 100.00 |

The following table sets forth the distribution of the Group's profit before tax by region as at the dates indicated.

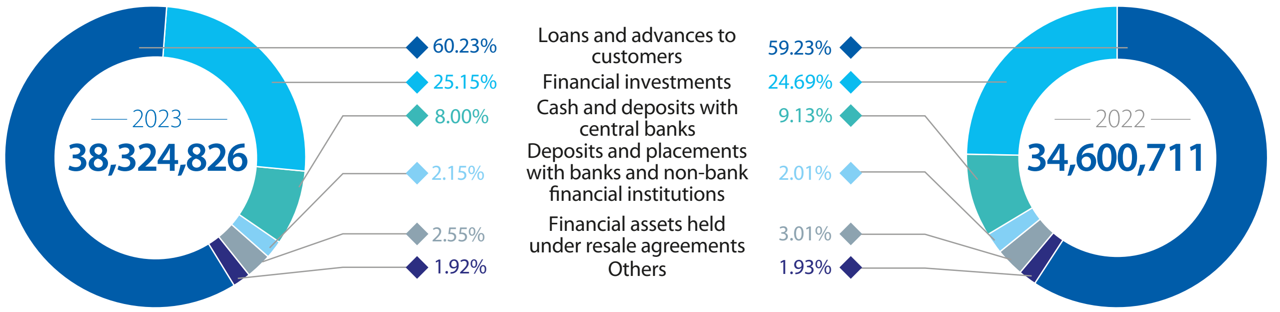
| | 2023 | | 2022 | |
|---|---|---|---|---|
| (In millions of RMB, except percentages) | Amount | % of total | Amount | % of total |
| Yangtze River Delta | 72,564 | 18.64 | 65,011 | 16.94 |
| Pearl River Delta | 49,533 | 12.72 | 67,336 | 17.55 |
| Bohai Rim | 77,195 | 19.82 | 62,860 | 16.38 |
| Central | 74,452 | 19.12 | 68,327 | 17.81 |
| Western | 67,559 | 17.35 | 63,553 | 16.56 |
| Northeastern | 18,415 | 4.73 | 11,985 | 3.13 |
| Head office | 20,516 | 5.27 | 38,677 | 10.08 |
| Overseas | 9,143 | 2.35 | 5,950 | 1.55 |
| Profit before tax | 389,377 | 100.00 | 383,699 | 100.00 |

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

## STATEMENT OF FINANCIAL POSITION ANALYSIS

### Assets




**Period-end total assets of the Group (In millions of RMB)**

The following table sets forth the composition of the Group's total assets as at the dates indicated.

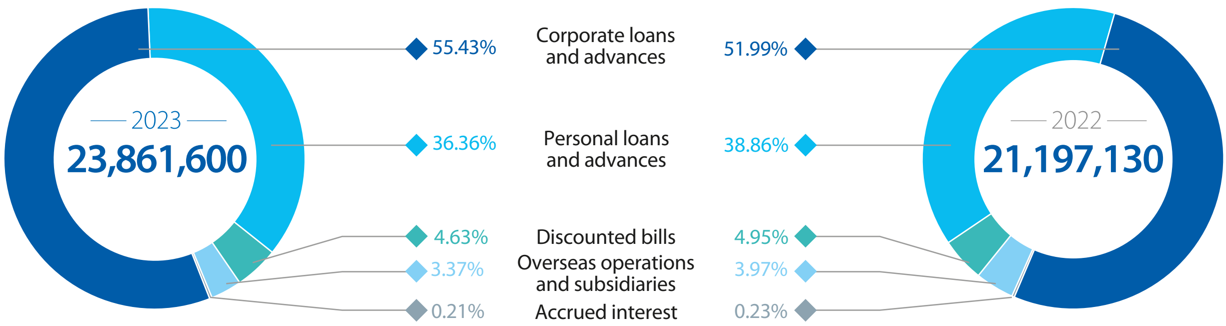
| | **As at 31 December 2023** | | As at 31 December 2022 | | As at 31 December 2021 | |
|---|---|---|---|---|---|---|
| (In millions of RMB, except percentages) | **Amount** | **% of total** | Amount | % of total | Amount | % of total |
| Loans and advances to customers | 23,083,377 | 60.23 | 20,493,042 | 59.23 | 18,170,492 | 60.06 |
| Loans and advances to customers measured at amortised cost | 22,706,195 | 59.25 | 20,099,484 | 58.09 | 18,380,916 | 60.76 |
| Allowances for impairment losses on loans | (778,223) | (2.03) | (704,088) | (2.03) | (637,338) | (2.11) |
| Carrying amount of loans and advances to customers measured at fair value through other comprehensive income | 1,104,787 | 2.88 | 1,048,651 | 3.03 | 379,469 | 1.25 |
| Carrying amount of loans and advances to customers measured at fair value through profit or loss | – | – | – | – | 3,761 | 0.01 |
| Accrued interest | 50,618 | 0.13 | 48,995 | 0.14 | 43,684 | 0.15 |
| Financial investments | 9,638,276 | 25.15 | 8,542,312 | 24.69 | 7,641,919 | 25.26 |
| Cash and deposits with central banks | 3,066,058 | 8.00 | 3,159,296 | 9.13 | 2,763,892 | 9.14 |
| Deposits and placements with banks and non-bank financial institutions | 823,488 | 2.15 | 695,209 | 2.01 | 343,269 | 1.13 |
| Financial assets held under resale agreements | 979,498 | 2.55 | 1,040,847 | 3.01 | 549,078 | 1.81 |
| Others[1] | 734,129 | 1.92 | 670,005 | 1.93 | 785,329 | 2.60 |
| Total assets | 38,324,826 | 100.00 | 34,600,711 | 100.00 | 30,253,979 | 100.00 |

1. These comprise precious metals, positive fair value of derivatives, long-term equity investments, fixed assets, construction in progress, land use rights, intangible assets, goodwill, deferred tax assets and other assets.

At the end of 2023, the Group's total assets stood at RMB38.32 trillion, an increase of RMB3.72 trillion or 10.76% over 2022. Loans and advances to customers increased by RMB2.59 trillion or 12.64% over 2022 as the Group actively promoted high-quality development of the real economy, and increased credit supply to areas such as green finance, inclusive finance, advanced manufacturing and strategic emerging industries. The Group supported the implementation of proactive fiscal policies, and increased purchase of government bonds such as treasury bonds and local government bonds and investment in green bonds. Financial investments increased by RMB1,095,964 million or 12.83% over 2022. Cash and deposits with central banks decreased by RMB93,238 million, or 2.95% from 2022, mainly due to the PBC's policy of lowering the RMB statutory deposit reserve rate for financial institutions and the Bank's reinforced position management. On the premise of ensuring the safety of liquidity, the Group dynamically grasped the scale and structure of interbank assets according to the needs of management of funding sources and fund deployment. Financial assets held under resale agreements decreased by RMB61,349 million, or 5.89% from 2022; deposits and placements with banks and non-bank financial institutions increased by RMB128,279 million or 18.45% over 2022. In the Group's total assets, the proportion of net loans and advances to customers increased by 1.00 percentage point to 60.23%, that of financial investments increased by 0.46 percentage points to 25.15%, that of cash and deposits with central banks decreased by 1.13 percentage points to 8.00%, that of deposits and placements with banks and non-bank financial institutions increased by 0.14 percentage points to 2.15%, and that of financial assets held under resale agreements decreased by 0.46 percentage points to 2.55%.

## Loans and advances to customers

At the end of 2023, the Group's gross loans and advances to customers stood at RMB23.86 trillion, an increase of RMB2.66 trillion or 12.57% over 2022, mainly due to the increase in domestic loans of the Bank. Specifically, the Group's corporate loans and advances totalled RMB13.94 trillion, personal loans and advances totalled RMB8.77 trillion, and discounted bills amounted to RMB1,104,787 million, with a proportion in gross loans and advances excluding accrued interest reaching 58.53%, 36.83% and 4.64%, respectively. For further details, please refer to Note "Risk management – Credit risk" to the financial statements.




Period-end gross loans and advances to customers of the Group (In millions of RMB)

The following table sets forth the composition of the Group's gross loans and advances to customers as at the dates indicated.

| | **As at 31 December 2023** | | As at 31 December 2022 | | As at 31 December 2021 | |
|---|---|---|---|---|---|---|
| (In millions of RMB, except percentages) | **Amount** | **% of total** | Amount | % of total | Amount | % of total |
| Domestic loans and advances of the Bank | 23,006,496 | 96.42 | 20,305,569 | 95.80 | 17,864,923 | 94.99 |
| Corporate loans and advances | 13,225,655 | 55.43 | 11,020,150 | 51.99 | 9,593,526 | 51.01 |
| Short-term loans | 3,594,305 | 15.06 | 2,927,713 | 13.81 | 2,683,402 | 14.27 |
| Medium to long-term loans | 9,631,350 | 40.37 | 8,092,437 | 38.18 | 6,910,124 | 36.74 |
| Personal loans and advances | 8,676,054 | 36.36 | 8,236,768 | 38.86 | 7,891,928 | 41.96 |
| Residential mortgages | 6,386,525 | 26.76 | 6,479,609 | 30.57 | 6,386,583 | 33.96 |
| Credit card loans | 997,133 | 4.18 | 924,873 | 4.37 | 896,222 | 4.76 |
| Personal consumer loans | 421,623 | 1.77 | 295,443 | 1.39 | 232,979 | 1.24 |
| Personal business loans[1] | 777,481 | 3.26 | 415,344 | 1.96 | 226,463 | 1.20 |
| Other loans[2] | 93,292 | 0.39 | 121,499 | 0.57 | 149,681 | 0.80 |
| Discounted bills | 1,104,787 | 4.63 | 1,048,651 | 4.95 | 379,469 | 2.02 |
| Overseas operations and subsidiaries | 804,486 | 3.37 | 842,566 | 3.97 | 899,223 | 4.78 |
| Accrued interest | 50,618 | 0.21 | 48,995 | 0.23 | 43,684 | 0.23 |
| Gross loans and advances to customers | 23,861,600 | 100.00 | 21,197,130 | 100.00 | 18,807,830 | 100.00 |

1. These mainly include personal loans for production and operation and online business loans.
2. These mainly include personal commercial property mortgage loans and home equity loans.

Domestic corporate loans and advances of the Bank reached RMB13.23 trillion, an increase of RMB2.21 trillion or 20.01% over 2022, mainly extended to sectors such as green finance, inclusive finance, advanced manufacturing and strategic emerging industries. Specifically, short-term and medium to long-term loans were RMB3.59 trillion and RMB9.63 trillion, respectively.

Domestic personal loans and advances of the Bank reached RMB8.68 trillion, an increase of RMB439,286 million or 5.33% over 2022. Specifically, residential mortgages were RMB6.39 trillion, a decrease of RMB93,084 million or 1.44% from 2022; credit card loans were RMB997,133 million, an increase of RMB72,260 million or 7.81% over 2022; personal consumer loans were RMB421,623 million, an increase of RMB126,180 million or 42.71% over 2022; personal business loans were RMB777,481 million, an increase of RMB362,137 million or 87.19% over 2022.

Discounted bills amounted to RMB1,104,787 million, an increase of RMB56,136 million over 2022.

Loans and advances made by overseas operations and subsidiaries were RMB804,486 million, a decrease of RMB38,080 million or 4.52% over 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

### Distribution of loans and advances by region

The following table sets forth the distribution of loans and advances to customers by region as at the dates indicated.

| | As at 31 December 2023 | | As at 31 December 2022 | |
|---|---|---|---|---|
| (In millions of RMB, except percentages) | **Amount** | **% of total** | Amount | % of total |
| Yangtze River Delta | 4,703,648 | 19.71 | 4,059,468 | 19.15 |
| Pearl River Delta | 3,936,980 | 16.50 | 3,534,462 | 16.68 |
| Bohai Rim | 4,058,595 | 17.01 | 3,578,965 | 16.88 |
| Central | 3,993,891 | 16.74 | 3,502,347 | 16.52 |
| Western | 4,440,785 | 18.61 | 3,925,921 | 18.52 |
| Northeastern | 975,595 | 4.09 | 898,474 | 4.24 |
| Head office | 1,026,719 | 4.30 | 942,131 | 4.45 |
| Overseas | 674,769 | 2.83 | 706,367 | 3.33 |
| Accrued interest | 50,618 | 0.21 | 48,995 | 0.23 |
| Total loans and advances to customers | 23,861,600 | 100.00 | 21,197,130 | 100.00 |

### Distribution of loans by type of collateral

The following table sets forth the distribution of loans and advances to customers by type of collateral as at the dates indicated.

| | As at 31 December 2023 | | As at 31 December 2022 | |
|---|---|---|---|---|
| (In millions of RMB, except percentages) | **Amount** | **% of total** | Amount | % of total |
| Unsecured loans | 9,976,510 | 41.81 | 8,053,048 | 37.99 |
| Guaranteed loans | 3,010,073 | 12.61 | 2,584,435 | 12.19 |
| Loans secured by property and other immovable assets | 9,202,161 | 38.56 | 8,972,422 | 42.33 |
| Other pledged loans | 1,622,238 | 6.81 | 1,538,230 | 7.26 |
| Accrued interest | 50,618 | 0.21 | 48,995 | 0.23 |
| Total loans and advances to customers | 23,861,600 | 100.00 | 21,197,130 | 100.00 |

### Allowances for impairment losses on loans and advances to customers

| | 2023 | | | |
|---|---|---|---|---|
| (In millions of RMB) | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| As at 1 January 2023 | 339,557 | 176,141 | 188,390 | 704,088 |
| Transfers: | | | | |
| Transfers in/(out) to Stage 1 | 19,259 | (18,402) | (857) | – |
| Transfers in/(out) to Stage 2 | (12,464) | 19,608 | (7,144) | – |
| Transfers in/(out) to Stage 3 | (5,474) | (22,661) | 28,135 | – |
| Newly originated or purchased financial assets | 168,995 | – | – | 168,995 |
| Transfer out/repayment | (131,700) | (30,202) | (50,438) | (212,340) |
| Remeasurements | (14,749) | 65,811 | 103,654 | 154,716 |
| Write-offs | – | – | (53,389) | (53,389) |
| Recoveries of loans and advances written off | – | – | 16,153 | 16,153 |
| As at 31 December 2023 | 363,424 | 190,295 | 224,504 | 778,223 |

The Group made provisions for impairment losses on loans in line with factors such as macro-economy and credit asset quality as required by the new financial instruments standard. At the end of 2023, allowances for impairment losses on loans and advances to customers measured at amortised cost were RMB778,223 million. In addition, allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income were RMB1,892 million. The Group's allowances to NPLs and allowances to total loans were 239.85% and 3.28%, respectively.

The Group adopts a "three-stage" model for impairment based on changes in credit risk since initial recognition or by determining whether the financial instruments are credit-impaired, to estimate the expected credit losses (ECL). For Stage 1, financial instruments with no significant increase in credit risk since initial recognition, impairment losses are measured as ECL for the next 12 months. For Stage 2, financial instruments with a significant increase in credit risk since initial recognition, but not yet credit impaired impairment losses are measured as lifetime ECL. For Stage 3, financial instruments that are credit impaired on the balance sheet date, impairment losses are measured as lifetime ECL. The Group adhered to substantive risk judgement and sufficiently considered all reasonable and supportable information when assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, including but not limited to: internal credit rating of the borrower; information such as business risk classification, overdue status, and contract terms; information on changes in the credit strategy or credit risk management methods towards the borrower; information such as the borrower's credit information, external ratings, changes in debt and equity prices, credit default swap prices, credit spreads, and public opinion; business and financial information of the borrower, its shareholders, and affiliated enterprises; and the macro economy, industry development, technological innovation, climate change, natural disasters, socio-economic and financial policies, government support or relief measures that may have a potential impact on the borrower's repayment capacity. The measurement of ECL requires consideration of forward-looking information. The Group developed specific scenarios for ECL measurement by reference to forecast of authoritative institutions at home and abroad and leveraging the capability of internal experts. The Group calculated ECL as weighted average of the products of probability of defaults (PD), loss given defaults (LGD) and exposure at default (EAD) under the optimistic, baseline and pessimistic scenarios, having considered the discount factor. Please refer to Note "Loans and advances to customers" to the financial statements for details of allowances for impairment losses on loans and advances to customers.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

## Financial investments

The following table sets forth the composition of the Group's financial investments by measurement as at the dates indicated.

| | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|
| (In millions of RMB, except percentages) | Amount | % of total | Amount | % of total |
| Financial assets measured at fair value through profit or loss | 602,303 | 6.25 | 568,097 | 6.65 |
| Financial assets measured at amortised cost | 6,801,242 | 70.56 | 5,958,397 | 69.75 |
| Financial assets measured at fair value through other comprehensive income | 2,234,731 | 23.19 | 2,015,818 | 23.60 |
| Total financial investments | 9,638,276 | 100.00 | 8,542,312 | 100.00 |

For further details on financial instruments measured at fair value, please refer to Note "Risk management – Fair value of financial instruments" to the financial statements.

The following table sets forth the composition of the Group's financial investments by nature as at the dates indicated.

| | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|
| (In millions of RMB, except percentages) | Amount | % of total | Amount | % of total |
| Debt securities[1] | 9,388,324 | 97.41 | 8,306,800 | 97.24 |
| Equity instruments and funds | 249,952 | 2.59 | 235,512 | 2.76 |
| Total financial investments | 9,638,276 | 100.00 | 8,542,312 | 100.00 |

1. These include credit investments.

At the end of 2023, the Group's financial investments totalled RMB9.64 trillion, an increase of RMB1.10 trillion or 12.83% over 2022. Specifically, debt securities increased by RMB1.08 trillion or 13.02%, and accounted for 97.41% of total financial investments, up 0.17 percentage points over 2022; equity instruments and funds increased by RMB14.44 billion, and accounted for 2.59% of total financial investments, down 0.17 percentage points from 2022.

### Debt securities

The following table sets forth the composition of the Group's debt instruments by currency as at the dates indicated.

| | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|
| (In millions of RMB, except percentages) | Amount | % of total | Amount | % of total |
| RMB | 9,028,172 | 96.16 | 8,019,441 | 96.54 |
| USD | 228,917 | 2.44 | 171,897 | 2.07 |
| HKD | 49,953 | 0.53 | 46,104 | 0.56 |
| Other foreign currencies | 81,282 | 0.87 | 69,358 | 0.83 |
| Total debt securities | 9,388,324 | 100.00 | 8,306,800 | 100.00 |

At the end of 2023, total investments in RMB denominated debt securities were RMB9.03 trillion, an increase of RMB1.01 trillion or 12.58% over 2022. Total investments in foreign currency denominated debt securities were RMB360,152 million, an increase of RMB72,793 million or 25.33% over 2022.

The following table sets forth the composition of the Group's debt instruments by issuer as at the dates indicated.

| | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|
| (In millions of RMB, except percentages) | Amount | % of total | Amount | % of total |
| Government | 7,395,390 | 78.77 | 6,525,229 | 78.55 |
| Central banks | 43,182 | 0.46 | 47,370 | 0.57 |
| Policy banks | 899,880 | 9.59 | 820,233 | 9.87 |
| Banks and non-bank financial institutions | 682,666 | 7.27 | 493,812 | 5.95 |
| Enterprises | 367,206 | 3.91 | 420,156 | 5.06 |
| Total debt securities | 9,388,324 | 100.00 | 8,306,800 | 100.00 |

At the end of 2023, government bonds held by the Group amounted to RMB7.40 trillion, an increase of RMB870,161 million or 13.34% over 2022. Central bank bonds amounted to RMB43,182 million, a decrease of RMB4,188 million or 8.84% over 2022. Financial debt securities amounted to RMB1.58 trillion, an increase of RMB268,501 million or 20.43% over 2022. Specifically, bonds amounting to RMB899,880 million were issued by policy banks, and bonds amounting to RMB682,666 million were issued by banks and non-bank financial institutions, up 9.71% and 38.24%, respectively.

The following table sets forth the top ten financial debt securities held by the Group by par value at the end of the reporting period.

| (In millions of RMB, except percentages) | Par value | Annual interest rate (%) | Maturity date | Allowances for impairment losses[1] |
|---|---|---|---|---|
| Policy bank bond issued in 2019 | 17,440 | 3.75 | 2029-01-25 | – |
| Policy bank bond issued in 2020 | 16,400 | 3.74 | 2030-11-16 | – |
| Policy bank bond issued in 2019 | 16,120 | 3.86 | 2029-05-20 | – |
| Policy bank bond issued in 2020 | 15,980 | 3.23 | 2030-03-23 | – |
| Policy bank bond issued in 2020 | 15,510 | 2.96 | 2030-04-17 | – |
| Policy bank bond issued in 2021 | 14,270 | 3.52 | 2031-05-24 | – |
| Policy bank bond issued in 2021 | 13,780 | 3.48 | 2028-02-04 | – |
| Policy bank bond issued in 2019 | 13,100 | 3.48 | 2029-01-08 | – |
| Policy bank bond issued in 2021 | 13,080 | 3.38 | 2031-07-16 | – |
| Policy bank bond issued in 2020 | 12,960 | 3.34 | 2025-07-14 | – |

1. Excluding Stage 1 allowances for impairment losses made in accordance with the ECL model.

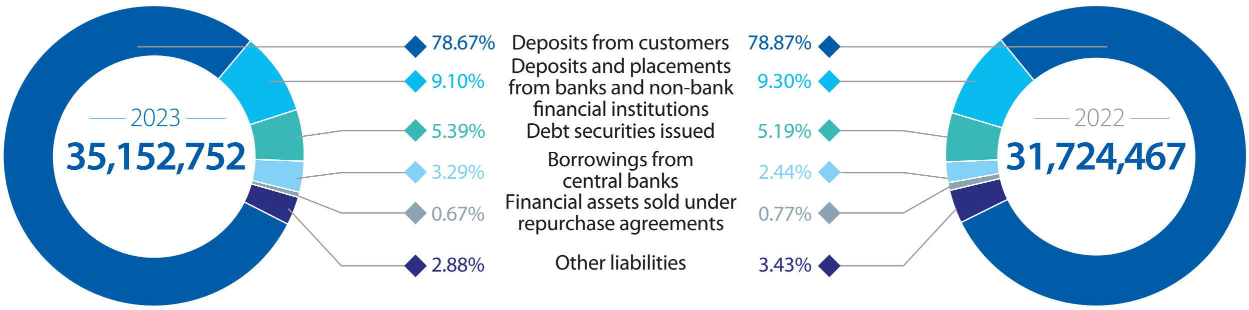
### Repossessed assets

As part of its effort to recover impaired loans and advances to customers, the Group may obtain the ownership of underlying assets, through legal actions or voluntary transfer from borrowers, guarantors or third parties, as compensation for losses on loans and advances and interest receivable. At the end of 2023, the Group's repossessed assets were RMB1,122 million, and impairment allowances for repossessed assets were RMB735 million. Please refer to Note "Other assets" to the financial statements for details.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

### Liabilities




**Total liabilities of the Group at the end of the reporting period (In millions of RMB)**

The following table sets forth the composition of the Group's total liabilities as at the dates indicated.

| | 31 December 2023 | | 31 December 2022 | | 31 December 2021 | |
|---|---|---|---|---|---|---|
| (In millions of RMB, except percentages) | Amount | % of total | Amount | % of total | Amount | % of total |
| Deposits from customers | 27,654,011 | 78.67 | 25,020,807 | 78.87 | 22,378,814 | 80.97 |
| Deposits and placements from banks and non-bank financial institutions | 3,199,788 | 9.10 | 2,950,031 | 9.30 | 2,232,201 | 8.08 |
| Debt securities issued | 1,895,735 | 5.39 | 1,646,870 | 5.19 | 1,323,377 | 4.79 |
| Borrowings from central banks | 1,155,634 | 3.29 | 774,779 | 2.44 | 685,033 | 2.48 |
| Financial assets sold under repurchase agreements | 234,578 | 0.67 | 242,676 | 0.77 | 33,900 | 0.12 |
| Other liabilities[1] | 1,013,006 | 2.88 | 1,089,304 | 3.43 | 986,532 | 3.56 |
| Total liabilities | 35,152,752 | 100.00 | 31,724,467 | 100.00 | 27,639,857 | 100.00 |

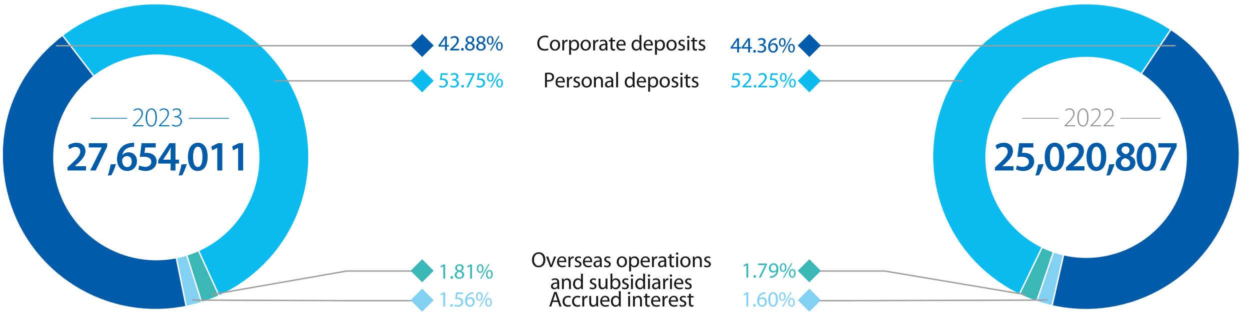
1. These comprise financial liabilities measured at fair value through profit or loss, negative fair value of derivatives, accrued staff costs, taxes payable, provisions, deferred tax liabilities and other liabilities.

The Group systematically established a liability quality management system commensurate with the size and complexity of its liabilities, clarified the governance system and organisational structure for liability quality management, and formulated and implemented whole-process liability quality management strategies and rules covering planning, monitoring, measurement, assessment, control, and reporting. It established a matrix of liability management indicators that met regulatory requirements and the Group's risk appetite, to continuously improve its liability quality management.

In 2023, the Group adhered to the principle of prudent operation, continued to consolidate the foundation for business development, and promoted high-quality development of liability business. It paid close attention to changes in the form of customer funds, achieved sound and steady development of core liability business by consolidating the foundation for deposit development, and maintained stable sources of liabilities. It continued to optimise liability structure by establishing diversified financing channels and a decentralised and balanced customer structure, and increased the diversity of liability structure. It adhered to the system concept, made overall arrangements for total amount and structure of the source and use of funds, and implemented sound and prudent liquidity management strategy, to achieve steady and coordinated development of assets and liabilities. It cultivated the ability to proactively assume liabilities, and reasonably arranged the size and timing of issuance of various debt instruments based on the strategic arrangement of assets and liabilities and market price trends, to continuously improve market-oriented financing capabilities. It adhered to the principle of balanced development of volume and pricing, actively implemented the market-based adjustment mechanism for deposit rate, dynamically adjusted the internal and external fund pricing mechanism, so as to effectively control the costs of liabilities. It adhered to the concept of compliance, and strengthened management and supervision of liability transactions, accounting, and data statistics, to ensure that liability businesses comply with regulatory requirements. During the reporting period, the Group's regulatory indicators, including liquidity coverage ratio, net stable funding ratio and liquidity ratio, constantly met regulatory requirements. For details of the indicators, please refer to "Management Discussion and Analysis – Risk Management – Liquidity Risk Management". Indicators related to the quality of liabilities were stable on the whole, with steady improvement in the Group's liability quality management.

The Group continuously enhanced its comprehensive financial service ability, diversified funding sources, and optimised liability structure, so as to improve its liability quality management. At the end of 2023, the Group's total liabilities were RMB35.15 trillion, an increase of RMB3.43 trillion or 10.81% over 2022, and such growth of liabilities largely matched that of assets. Specifically, deposits from customers were RMB27.65 trillion, an increase of RMB2.63 trillion or 10.52% over 2022, maintaining a steady and rapid growth. Deposits and placements from banks and non-bank financial institutions amounted to RMB3.20 trillion, an increase of RMB249,757 million or 8.47% over 2022, mainly due to the diversified portfolios of financial liabilities driven by the reasonable and sufficient liquidity in the market. Debt securities issued were RMB1.90 trillion, an increase of RMB248,865 million or 15.11% over 2022, mainly due to the expanded financing channels driven by the issuance of various financing instruments including interbank certificates of deposit and capital instruments. Borrowings from central banks were RMB1.16 trillion, an increase of 49.16% over 2022, mainly due to the increase in the use of medium-term lending facility ("MLF") and structured monetary policy tools. In the Group's total liabilities, deposits from customers accounted for 78.67% of total liabilities, down 0.20 percentage points from 2022. Deposits and placements from banks and non-bank financial institutions accounted for 9.10% of total liabilities, down 0.20 percentage points from 2022. Debt securities issued accounted for 5.39% of total liabilities, up 0.20 percentage points over 2022. Borrowings from central banks accounted for 3.29% of total liabilities, up 0.85 percentage points over 2022.

## Deposits from Customers




**Total deposits from customers of the Group at the end of the reporting period (In millions of RMB)**

The following table sets forth the Group's deposits from customers by product type as at the dates indicated.

| | **31 December 2023** | | 31 December 2022 | | 31 December 2021 | |
|---|---|---|---|---|---|---|
| (In millions of RMB, except percentages) | **Amount** | **% of total** | Amount | % of total | Amount | % of total |
| Corporate deposits | 11,858,660 | 42.88 | 11,099,805 | 44.36 | 10,338,734 | 46.20 |
| Demand deposits | 6,471,218 | 23.40 | 6,641,755 | 26.54 | 6,549,329 | 29.27 |
| Time deposits | 5,387,442 | 19.48 | 4,458,050 | 17.82 | 3,789,405 | 16.93 |
| Personal deposits | 14,865,359 | 53.75 | 13,074,250 | 52.25 | 11,278,207 | 50.40 |
| Demand deposits | 5,551,678 | 20.07 | 5,407,599 | 21.61 | 4,873,992 | 21.78 |
| Time deposits | 9,313,681 | 33.68 | 7,666,651 | 30.64 | 6,404,215 | 28.62 |
| Overseas operations and subsidiaries | 499,285 | 1.81 | 447,188 | 1.79 | 411,682 | 1.84 |
| Accrued interest | 430,707 | 1.56 | 399,564 | 1.60 | 350,191 | 1.56 |
| Total deposits from customers | 27,654,011 | 100.00 | 25,020,807 | 100.00 | 22,378,814 | 100.00 |

The Group extensively used network-based systematic methods to expand customer base and increase deposits, improved its capacity of achieving stable deposit growth, and propelled high-quality development of liability business. At the end of 2023, domestic corporate deposits of the Bank were RMB11.86 trillion, an increase of RMB758,855 million or 6.84% over 2022, and accounted for 44.37% of domestic deposits from customers, down 1.55 percentage points from 2022; domestic personal deposits of the Bank were RMB14.87 trillion, an increase of RMB1.79 trillion or 13.70% over 2022, and accounted for 55.63% of domestic deposits from customers, up 1.55 percentage points over 2022, seeing a continuously rising contribution of retail deposits; deposits from overseas operations and subsidiaries were RMB499,285 million, an increase of RMB52,097 million, and accounted for 1.81% of total deposits from customers. With the customers' increasing preference for time deposits, domestic demand deposits were RMB12.02 trillion, a decrease of RMB26,458 million or 0.22% from 2022, and accounted for 44.99% of domestic deposits from customers, down 4.85 percentage points from 2022; domestic time deposits were RMB14.70 trillion, an increase of RMB2.58 trillion or 21.25% over 2022, and accounted for 55.01% of domestic deposits, up 4.85 percentage points over 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The following table sets forth the distribution of the Group's deposits by region as at the dates indicated.

| | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|
| (In millions of RMB, except percentages) | Amount | % of total | Amount | % of total |
| Yangtze River Delta | 5,402,635 | 19.54 | 4,692,062 | 18.75 |
| Pearl River Delta | 4,132,280 | 14.94 | 3,909,449 | 15.62 |
| Bohai Rim | 5,030,828 | 18.19 | 4,546,577 | 18.17 |
| Central | 5,059,057 | 18.30 | 4,530,522 | 18.11 |
| Western | 5,266,200 | 19.04 | 4,852,032 | 19.39 |
| Northeastern | 1,848,350 | 6.68 | 1,651,621 | 6.60 |
| Head office | 15,583 | 0.06 | 19,399 | 0.08 |
| Overseas | 468,371 | 1.69 | 419,581 | 1.68 |
| Accrued interest | 430,707 | 1.56 | 399,564 | 1.60 |
| Deposits from customers | 27,654,011 | 100.00 | 25,020,807 | 100.00 |

## Total Equity

The following table sets forth the Group's total equity and its composition as at the dates indicated.

| (In millions of RMB) | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Share capital | 250,011 | 250,011 |
| Other equity instruments | 199,968 | 139,968 |
| Preference shares | 59,977 | 59,977 |
| Perpetual bonds | 139,991 | 79,991 |
| Capital reserve | 135,619 | 135,653 |
| Other comprehensive income | 23,981 | 17,403 |
| Surplus reserve | 369,906 | 337,527 |
| General reserve | 496,255 | 444,786 |
| Retained earnings | 1,674,405 | 1,530,102 |
| Total equity attributable to equity shareholders of the Bank | 3,150,145 | 2,855,450 |
| Non-controlling interests | 21,929 | 20,794 |
| Total equity | 3,172,074 | 2,876,244 |

At the end of 2023, the Group's equity was RMB3.17 trillion, an increase of RMB295,830 million or 10.29% over 2022, primarily driven by the increase of RMB144,303 million in retained earnings. As the growth rate of total equity was slower than that of assets, the ratio of total equity to total assets for the Group was 8.28%, down 0.03 percentage points from 2022.

### Off-balance Sheet Items

The Group's off-balance sheet items include agency investment and financing services, intermediary services, derivatives, commitments and contingent liabilities. Agency investment and financing services mainly include asset management products and entrusted loans. For details of entrusted loans, please refer to Note "Entrusted lending business" to the financial statements. Intermediary services mainly include assets under custody and agency services. Derivatives mainly include interest rate contracts, exchange rate contracts, precious metals and commodity contracts. For details on the nominal amounts and fair value of derivatives, please refer to Note "Derivatives and hedge accounting" to the financial statements. Commitments and contingent liabilities mainly include credit commitments, capital commitments, government bond redemption obligations, and outstanding litigations and disputes. Among these, credit commitments were the largest component, including undrawn loan facilities which were approved and contracted, unused credit card limits, financial guarantees, and letters of credit. At the end of 2023, the balance of credit commitments was RMB3.83 trillion, an increase of RMB143,712 million or 3.90% over 2022. Please refer to Note "Commitments and contingent liabilities" to the financial statements for details.

In 2023, the Group adhered to the principle of prudent operation and the bottom line of compliance development, firmly implemented regulatory requirements, and continuously consolidated the foundation for development, in order to better meet customers' comprehensive service needs. It strengthened management of off-balance sheet business, clarified off-balance sheet business development strategies and targets, and formulated and implemented whole-process management measures covering planning, monitoring, measurement, assessment and reporting in accordance with the three principles of "full management coverage, classified management and risk-based management". The Group calculated regulatory capital for off-balance sheet business accurately in line with regulatory requirements, and tilted resources towards capital-light and high-return products to continuously enhance the intensified use of capital.

### Analysed by Region

The following table sets forth, as at the dates indicated, the distribution of the Group's assets by region.

| | **31 December 2023** | | 31 December 2022 | |
|---|---|---|---|---|
| (In millions of RMB, except percentages) | **Amount** | **% of total** | Amount | % of total |
| Yangtze River Delta | 6,592,603 | 17.20 | 5,921,490 | 17.11 |
| Pearl River Delta | 5,178,016 | 13.51 | 4,772,288 | 13.79 |
| Bohai Rim | 8,274,479 | 21.59 | 7,692,628 | 22.23 |
| Central | 5,394,311 | 14.08 | 4,884,770 | 14.12 |
| Western | 5,627,618 | 14.68 | 5,174,224 | 14.95 |
| Northeastern | 1,979,268 | 5.16 | 1,716,962 | 4.96 |
| Head office | 13,141,981 | 34.29 | 12,413,295 | 35.88 |
| Overseas | 1,734,037 | 4.52 | 1,550,019 | 4.48 |
| Deferred tax assets and elimination | (9,597,487) | (25.03) | (9,524,965) | (27.52) |
| Total assets | 38,324,826 | 100.00 | 34,600,711 | 100.00 |

## ANALYSIS ON CASH FLOW STATEMENTS

### Cash from Operating Activities

Net cash received from operating activities was RMB642,850 million, a decrease of RMB335,569 million from 2022, mainly due to a large decrease in net increase in deposits from customers and from banks and non-bank financial institutions.

### Cash Used in Investing Activities

Net cash used in investing activities was RMB821,254 million, an increase of RMB169,586 million over 2022, mainly due to the large increase in purchase of investment securities.

### Cash Used in Financing Activities

Net cash used in financing activities was RMB47,327 million, an increase of RMB40,902 million over 2022, mainly due to the large increase in repayment of borrowings.

## OTHER FINANCIAL INFORMATION

### Significant Accounting Policies and Accounting Estimates

Please refer to Note "Significant accounting policies and accounting estimates" to financial statements for details of the Group's significant accounting estimates and judgements.

The International Accounting Standards Board issued *IFRS 17 Insurance Contracts* in 2017 and required implementation from 1 January 2023. The Group has implemented the above new standard from 1 January 2023 and has retroactively adjusted the financial statements for the comparative period as required. Please refer to Note "Statement of compliance" to the financial statements for the impact of the implementation.

### Differences Between the Financial Statements Prepared Under PRC GAAP and Those Prepared Under IFRS

There is no difference in net profit for 2023 or total equity as at 31 December 2023 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

# BUSINESS REVIEW

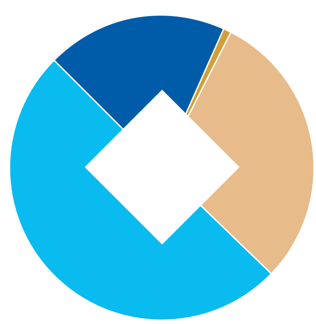


The Group's major business segments are corporate finance business, personal finance business, treasury and asset management business, and others including overseas business.

In 2023, operating income of the Group's corporate finance business reached RMB238,418 million, accounting for 31.98% of the Group's operating income; profit before tax was RMB75,030 million, accounting for 19.27% of the Group's profit before tax. Operating income of personal finance business reached RMB363,593 million, accounting for 48.76% of the Group's operating income; profit before tax totalled RMB194,897 million, accounting for 50.05% of the Group's total profit before tax. Operating income of treasury and asset management business totalled RMB123,687 million, accounting for 16.59% of the Group's operating income; profit before tax totalled RMB116,206 million, accounting for 29.84% of the Group's total profit before tax. Operating income of others totalled RMB19,917 million, and profit before tax totalled RMB3,244 million.

The Proportion of operating income of the Group's business segments in 2023


The Proportion of profit before tax of the Group's business segments in 2023



# NEW FINANCE INITIATIVES

New Finance initiatives adapt to the new era, reflecting the Group's efforts in implementing the new development philosophy and exploring the road of financial development with Chinese characteristics. From deepening the "Three Major Strategies", engaging in rural revitalisation and developing green finance, to offering smart government affairs services and promoting digitalised operation, we practised New Finance initiatives echoing the current development trend, narrating New Finance chapters with warm and touching financial services. From proactive discovery and creation to precise fulfilment of financial needs, we helped hundreds of millions of people to move towards a better life, elucidating our responsibility of providing people-oriented financial services. The Group will further promote the New Finance initiatives, fully serve the national strategy, focus on the "Five Major Chapters", and unswervingly take the path of financial development with Chinese characteristics.

The Group steadily unleashed the potential of **housing rental**. It built a new financial service system for housing rental, which covered "both housing rentals and purchases", promoted transformation and upgrading of existing housing, and relied on both indirect and direct financing, so as to help develop a new development model of real estate sector with the closed-loop services of "investment, financing, management and withdrawal". The Group continuously scaled up the efficiency of **inclusive finance**. It consolidated its position as the largest financial institution in terms of credit supply of inclusive finance, iteratively upgraded "CCB Huidongni" 4.0, and sped up the transition from credit services to inclusive financial services ecology. The Group explored the potential of **rural revitalisation** in depth. It optimised and improved the "Yunongtong" comprehensive service platform for rural revitalisation, strengthened financial supply in key areas at the county and rural levels, and created new grounds in the New Finance initiatives. The Group continuously activated the momentum of **green finance**. It built a diversified green service system covering credit, bonds, funds, investment, leasing and insurance, and raised the proportion of green financing, so as to contribute to the overall green transformation in the economy and society. The Group achieved remarkable results in the empowerment of **smart government affairs services**. It built a platform ecology that serves the government in depth, transformed its outlets into government affairs halls for the public, promoted the construction of modern governance system and credit system, and strove to become a trusted financial pillar by the state. The Group continuously enhanced its **FinTech** capabilities. It officially launched the "CCB Cloud" brand, improved the mechanism of business-technology integration, actively and steadily pressed ahead with distributed architecture transformation, enhanced the balance of the Group's technological capabilities, and ensured data security. The Group's efforts in **digitalised operation** paid off. It strengthened the construction of "three major middle platforms", activated the "Project Fangzhou", advanced the construction of Financial Large Language Model (FinLLM), and built a routine digitalised operation system.

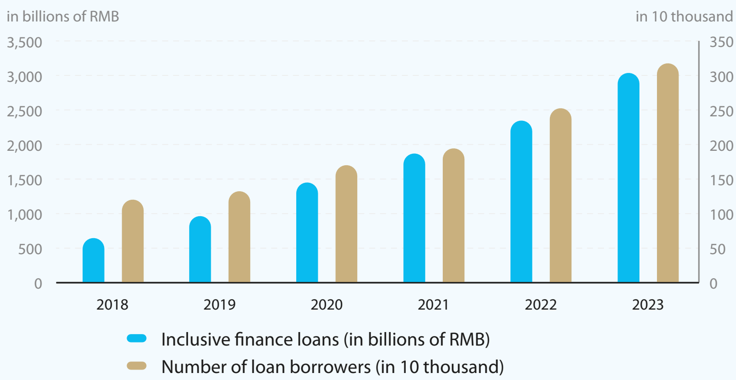
## Review of the effective results of "Three Major Strategies"

**Housing rental strategy:** Since August 2017, the Group has implemented its housing rental strategy, implemented the national policy of "encouraging both housing rentals and purchases", continuously optimised its strategy under the mode of "One Body with Two Wings", i.e., "taking financial services as the pivot, supported by both market and government affairs services", innovated a series of housing rental loan products, advanced the pilot of issuing public Real Estate Investment Trusts ("REITs") for government-subsidised rental housing projects, and established CCB Housing and CCB Housing Rental Fund, so as to improve the living standards of the public with its New Finance practices. **The Group empowered the revitalisation of existing assets with financial services and increased the supply of rental houses**. It supported the construction of a multi-level rental housing supply system of "one bed, one room and one house" through investment of CCB Housing Rental Fund, support of housing rental loans, and "family real estate wealth management business" of CCB Housing, helping to address the housing issues of new urban residents, young people, and urban basic service personnel. At the end of 2023, the projects for which CCB Housing Rental Fund had signed acquisition contracts could provide over 20 thousand long-term rental apartments to the market; loan balance for corporate housing rental exceeded RMB320 billion, supporting the provision of more than one million rental houses and benefiting more than 700 government-subsidised rental housing projects.

**Boasting practical experience of housing rental, the Group actively advanced key areas of the "Three Major Projects" such as the urban village renovation.** Based on providing financing support and operation services of CCB Housing, the Group explored a development model linking urban village renovation with housing rental and promoted the coordinated development of government-subsidised rental housing and non-tradable affordable housing. **The Group explored the establishment of a new model of "credit + capital" to propel the transformation of housing finance business.** It leveraged on the professional management and operation capabilities of CCB Housing and the investment advantages of CCB Housing Rental Fund, and continuously explored a housing rental asset management and service model that integrates investment and operation. Loans for corporate housing rental fuelled the structural adjustment and increase in scale and yield of real estate loans. The Group's strategy promotion served more than 1,600 corporate customers, attracting more than 14 million new personal customers, and the total financial assets of personal customers increased by over RMB260 billion.


**Inclusive finance strategy:** Since the full roll-out of its inclusive finance strategy in May 2018, the Group has adhered to its original aspiration of serving the needs of the public and explored the establishment of inclusive financial service system with data as the key production factor, technology as the core production tool, and platform ecology as the main production mode. **The Group constantly expanded the coverage of financial services and adopted dedicated measures to support various market entities.** Focusing on the needs of small and micro businesses, individual business owners, agriculture-related customers, and medium, small and micro sci-tech innovation businesses, the Group provided financial support to long-tail market entities and continued to expand the coverage of inclusive finance and deepen its penetration in lower tier markets. At the end of 2023, as the largest commercial bank in the market in terms of total credit supply of inclusive finance, the Bank's inclusive finance loans exceeded RMB3 trillion. **The Group continuously explored the model of digitalised inclusive finance and addressed the financing difficulties of small and micro businesses.** The Group actively pressed ahead with the transformation of the digitalised inclusive finance model and relied on big data to introduce more data application scenarios, develop data evaluation model, innovate products related to digitalised inclusive finance, and built whole-process risk control tools, helping to alleviate the financing difficulties of small and micro businesses with lower financing costs. By the end of 2023, loans granted through innovative products such as "Quick Loan for Small and Micro Businesses" had amounted to RMB12.80 trillion, benefiting 4.72 million inclusive finance customers on a cumulative basis. **The Group created a one-stop comprehensive service platform to cover all operation scenarios of customers.** The Group innovatively launched the "CCB Huidongni" integrated service platform, which pushes back the limitations of physical space and time, provides efficient financial support for enterprises, and enables 24/7 contactless services. Since its go-live in September 2018, "CCB Huidongni" has continuously reported iterative upgrade to meet customer needs, and empowered the growth of small and micro businesses based on accomplishing the three principal lines of "financing, growth and ecology".

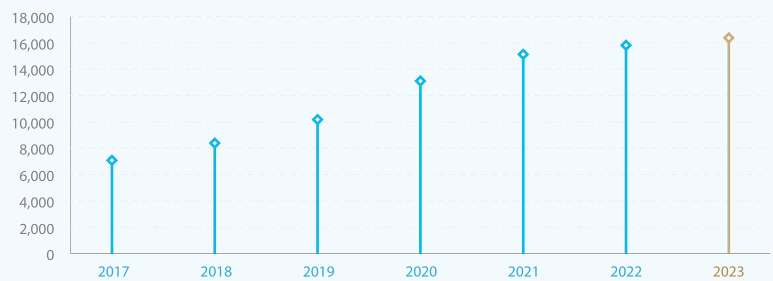
The balance of inclusive finance loans and number of loan borrowers




Note: In compliance with the regulatory requirements of the former CBIRC in corresponding years.

**FinTech strategy:** Since the roll-out of the FinTech strategy in April 2018, the Group has upheld the principle of sci-tech self-reliance and self-improvement, continuously explored market-oriented reform, and became the first large state-owned commercial bank to establish a FinTech company, i.e., CCB FinTech, which became the only company in the financial industry that was shortlisted as the "Exemplary Enterprise for Sci-Tech Reform" and included in the relevant national pilot programmes. In the past six years, the Group has invested over RMB120 billion in FinTech and the number of FinTech personnel has moved up to 16,331 from 6,983. **The Group continuously invested in the brand of "CCB Cloud".** The size of computing power of "CCB Cloud" reached 463.34PFlops (1PFlops is equivalent to 1 quadrillion floating-point operations per second), which was 7.6 times that of six years ago. The Group integrated its core banking business capabilities, technology middle platform capabilities such as AI and big data, as well as financial-level security capabilities, launched ten cloud-based service packages in three categories, and rolled out the "Yunxiao" ecological partnership programme, enabling "CCB Cloud" to become the preferred financial cloud service brand for users. **The Group continuously made breakthroughs in key core technology research.** It formed an independent and controllable distributed new technology system, with the distributed core banking system undertaking 94% of the transaction volume of core businesses of the Bank, outperforming its peers in terms of progress of independent and controllable technologies. It promoted independent R&D of AI platform, formed comparative advantages in computer vision and intelligent voice, implemented the "Project Fangzhou", and actively pressed ahead with the construction and application of FinLLM. The big data platform covered more than 30 thousand physical nodes, further consolidating the foundation of data governance. A total of 187 projects of the Group won the PBC's FinTech Development Award, including one grand prize and 15 first prizes.

**Number of the Group's FinTech personnel**




Note:

The "CCB Home" Tianhui Talent Apartment Project of CCB'S Suzhou Branch made Suzhou-style quality life available to new residents in Suzhou.

# HOUSING RENTAL

We care for the dream of every family and actively explore new models of housing finance.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The asset size of the investment of CCB Housing Rental Fund was

**RMB11,889 million**

The Group's self-owned public REITs for government-subsidised rental housing projects were officially accepted

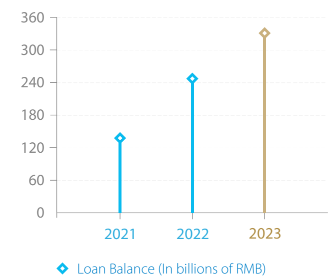
The Bank's loans for corporate housing rental business were

**RMB325,448 million**

An increase of

**34.38%**

A glimpse of the growth in loans for corporate housing rental business




## Housing Rental

The Group continuously explored its new financial service system for housing rental, which covered "both housing rentals and purchases", promoted transformation and upgrading of existing housing, and leveraged on both indirect and direct financing, so as to support the establishment of a new development model for real estate industry. It optimised its development strategy of "One Body with Two Wings", i.e., "taking financial services as the pivot, supported by both market and government affairs services", and continuously improved the closed-loop services of "investment, financing, management and withdrawal" integrating equity investment, financing support, management and operation, and listing of REITs.

The Group's influence in equity investment for housing rental is in the making. It pressed ahead with the investment of CCB Housing Rental Fund in an orderly manner. By the end of 2023, CCB Housing Rental Fund had signed acquisition contracts for 25 projects with a total asset size and accumulative investment size of RMB11,889 million and RMB6,631 million respectively. These projects were located in cities such as Beijing, Shanghai, Chengdu and Hangzhou, and could provide around 21.4 thousand long-term rental apartments to the market. It had established nine sub-funds together with market-oriented entities, with a total fund-raising size of RMB32.5 billion.

The Group maintained a leading market position in terms of financing support. Based on features of financing needs of the housing rental industry, the Group established a loan system that supports multiple entities, covers the whole cycle, and controls risks. At the end of 2023, the Bank's loans for corporate housing rental were RMB325,448 million, an increase of RMB83,256 million or 34.38% over 2022. It supported more than 1,600 housing rental enterprises and provided loan services for more than 700 government-subsidised rental housing projects.

The Group effectively improved its management and operation capabilities. As for the market, "CCB Home" platform attracted more than 51 million personal users, and CCB Housing managed 159.5 thousand apartments and operated 287 "CCB Home" long-term rental communities. For the government customer, the Group rolled out government-subsidised rental housing app and public rental housing app to 273 and 181 cities respectively. It leveraged on service scenarios to reach more customers and enhance its operation capabilities, and established a "1+1" financial service mechanism for housing rental communities, which had cumulatively brought in more than 14 million new personal customers.

The Group made breakthroughs in the pilot of REITs. The Group's application for issuance of its self-owned infrastructure public REITs with the government-subsidised rental housing projects held by CCB Housing has been accepted by the CSRC and Shanghai Stock Exchange. The issuance of such public REITs will further enrich the types of originators and assets of public REITs, marking an important initiative of the Group to promote multi-entity investment and support the development of government-subsidised rental housing in a market-oriented manner.

**Feature article No. 1:** 

## Advancing the application for issuance of infrastructure public REITs

The Group resolutely implemented the national strategy, adhered to the philosophy of "encouraging both housing rentals and purchases", and pressed ahead with the application for issuance of infrastructure public REITs in an orderly manner, helping to explore a new development model for real estate sector.

The Group applied for the issuance of infrastructure public REITs with CCB Housing as the originator, based on the three government-subsidised rental housing projects held and operated in Beijing, Shanghai and Suzhou. The three projects were, derived from existing non-residential housing assets acquired and revitalised by CCB Housing and CCB Housing Rental Fund in a market-oriented manner, and were used as government-subsidised rental housing after renovation with enhanced quality and efficiency under professional operation.

The issuance of public REITs constitutes an important part of the Group's series of initiatives to implement its housing rental strategy, which is conducive to building a housing rental asset management platform with the Group's characteristics, enabling a benign cycle of financial resources and social capital, further improving the housing financial service system on all fronts, and enhancing operating efficiency, brand value and social influence.

# INCLUSIVE FINANCE

We attentively cultivate every opportunity available to market players and deliver our modern financial services to numerous households.


Note:

CCB helps small and micro merchants to fulfill their business dreams and adds vibrancy to the market. The picture shows the small and micro merchants in Yangfan Night Market supported by Hunan Branch.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

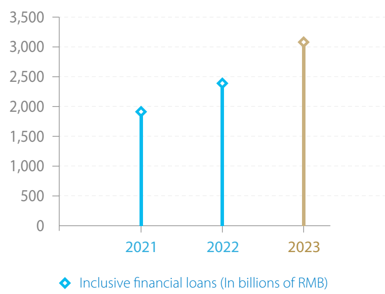
The Bank's inclusive finance loans were

**RMB3.04 trillion**

An increase of

**29.40%**

A glimpse of the growth in inclusive finance loans




Scan for more

## Inclusive Finance

The Group further advanced the inclusive finance strategy, continued to develop the model of digitalised inclusive finance featuring "batched customer acquisition, accurate profiling, automated approval, intelligent risk control, and integrated services", constantly improved the systems and mechanisms for inclusive finance, expanded the service offerings in inclusive finance, and promoted the enhancement in quantity, coverage and quality of its inclusive finance business.

At the end of 2023, the Bank's inclusive finance loans increased by RMB691,230 million or 29.40% over the end of 2022 to RMB3.04 trillion. The number of inclusive finance loan borrowers increased by 647.4 thousand over 2022 to 3.17 million. The Group continuously increased efforts in surrendering profits to support the real economy, and the interest rate of inclusive loans newly granted to small and micro businesses in 2023 was 3.75%, down 0.25 percentage points from 2022. It strengthened the construction of an intelligent risk control system to ensure that the credit asset quality was stable and controllable.

The Group promoted deep integration of online and offline services to synergistically improve the quality and efficiency of services. "CCB Huidongni" provided 24/7 mobile services for groups such as small and micro businesses, sci-tech enterprises, and agriculture-related entities, enabling "one-stop" services, "one-minute" financing and "one-price" charging. By the end of 2023, "CCB Huidongni" app had attracted 306 million visits, been downloaded more than 36.75 million times. There were 22.09 million registered individual users, and 12.17 million certified enterprise users with an increase of 3.20 million over 2022. The Bank had more than 14 thousand outlets that can provide inclusive finance services, nearly 20 thousand inclusive finance specialists, and over 2.7 thousand featured inclusive finance outlets.

Focusing on key areas and weak links in society and economy, the Group improved its inclusive finance service model and fostered its comprehensive service capabilities based on the characteristics and needs of small and micro businesses, individual business owners, agriculture-related customers, as well as upstream and downstream customers in the supply chain. It organised and carried out a series of activities to benefit enterprises, such as "Benefiting Hundreds of Industries and Tens of Thousands of Enterprises", "Back-to-work Season", "Benefiting Merchants and Markets", and "Preferential Season for Granting Loans to Small and Micro Businesses", to offer products, services, benefits, as well as rights and interests to small and micro businesses. It increased efforts in serving sci-tech enterprises and promoted products such as "Shankedai", "Shanxindai" and "Advanced Loan for Opening (Entering the Industrial Park)". In addition, it pressed ahead with the construction of "CCB Startup Station", granting loans of RMB59 billion on a cumulative basis to 41 thousand enterprises.

### Feature article No. 2: "CCB Huidongni" 4.0 – an integrated ecological service platform for inclusive finance

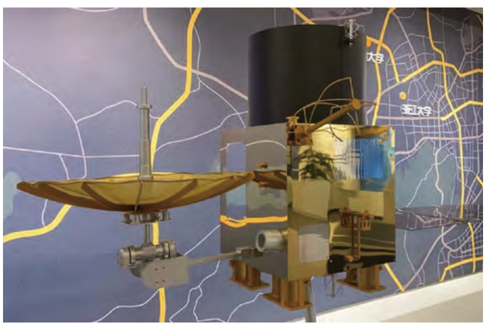
The Group actively explored the new model of inclusive finance in the digital economy era. In 2018, the Group was the first bank in China to launch the one-stop mobile financial service platform "CCB Huidongni" for inclusive finance customers, realising the online process reengineering of credit services and effectively solving financing difficulties of inclusive finance customers, such as high financing costs and slow pace of funding. Upon more than five years of development, the Group continued to lead the industry, broke through the business model of traditional banking platform, joined hands with more market entities to serve medium, small and micro businesses, and launched the upgraded "CCB Huidongni" 4.0 – an integrated ecological service platform for inclusive finance. Based on accomplishing the three principal lines of "loans, wealth and services", it promoted the transformation of six major aspects, i.e., journey restructuring, experience improvement, comprehensive financial services, scenario ecology, customer services and user systems, and formed a platform service system with digitalised operation as the foundation, intelligent technology as the pivot and platform-based operation as the core, providing a package of comprehensive services such as credit financing, wealth finance and business management

for inclusive finance customers including small and micro businesses, individual business owners, and farmers. It integrated social resources, joined hands with public service partners to create a platform ecology featuring “openness, sharing, mutual benefit and win-win”, and met the various growth and operation needs of small and micro businesses in their entire life cycles with the service matrix of “financial services + non-financial services”, “growth + operation” and “online services + intelligence”.

Capitalising on data assets operation and credit transformation, “CCB Huidongni” was designed to create an industry-leading intelligent, digital and platform-based online business operation model, which expanded banking services to the real world scenarios of inclusive finance customers, and made convenient and safe professional services easily available. “CCB Huidongni” was selected as a representative digital transformation model of listed companies in 2023 by the China Association for Public Companies and an inclusive finance service innovation model in 2023 by *The Chinese Banker*. From serving customer needs to empowering the growth of enterprises, and from self-built platform ecology to value creation through sharing, “CCB Huidongni” continued to be iteratively upgraded to promote the rapid development of inclusive finance with innovation.

**Case story No. 1**

## Driving sci-tech innovation with credit products and accelerating the formation of new quality productive forces



The R&D of “Shankedai” marks the effective integration of finance and technology. The Bank explored and innovated the establishment of knowledge value related unsecured loan models, focused on multiple elements of sci-tech enterprises such as “talent, technology, capital and market”, aligned “credit lines” with “sci-tech concentration”, effectively provided timely financial support for sci-tech enterprises to facilitate their development and growth, and was committed to becoming a close partner of small and micro sci-tech businesses. By the end of 2023, the Bank had provided credit lines of more than RMB10 billion to nearly eight thousand sci-tech enterprises.

Hangzhou housed the first transaction of “Shankedai”. Incubated from the Micro-Satellites Research Centre of Zhejiang University, a company in Zhejiang is equipped with a strong research team, composed of hundreds of professors, PhDs, masters and full-time engineers. Mr. Shan, the company manager, said: “Only by solving difficulties regarding high precision and low power consumption can micro-satellites properly function in space, which calls for remarkable scientific research capabilities and manufacturing expertise. The growth of small and micro sci-tech businesses like us could not be achieved without the support of outstanding financial institutions like CCB. Upon our application for “Shankedai”, we were granted loans of RMB1,677 thousand in total. Nowadays, despite the continuous injection of funds from venture capital firms, CCB remains our committed partner, as it always gets our back in the nick of time.” The vast universe houses stars and various spacecraft that evidence mankind’s efforts in exploration of the unknown. Henceforth, the smooth functioning of micro-satellites will be accompanied with CCB’s support.

Amid the general trend of industrial upgrading, the sci-tech development marks the arduous efforts of the R&D teams of sci-tech enterprises and the effective support of financial institutions. The Group will continuously join hands with sci-tech enterprises to drive sci-tech innovation with credit products and achieve ambitions together.

Note:

CCB's Huili Sub-branch under Sichuan Branch utilized exclusive credit products to grant unsecured loans to farmers, effectively solving the financial difficulties of fruit farmers.

# RURAL REVITALISATION

We offer solutions to real problems and provide financial support for rural revitalisation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

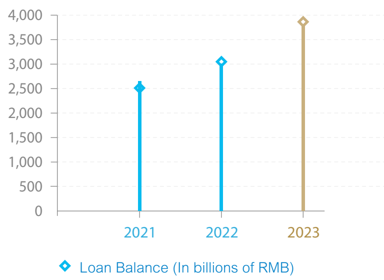
The Bank's agriculture-related loans were

**RMB3.82 trillion**

An increase of

**27.11%**

A glimpse of the growth in agriculture-related loans




Scan for more

## Rural Revitalisation

In 2023, the Group took rural revitalisation as the new ground for the New Finance initiatives, focused on key areas such as platforms, credit, scenarios and risk control, and continued to improve the "1211" comprehensive service system for rural revitalisation, so as to better serve the national strategies of rural revitalisation and building an agricultural power.

The Group continued to improve the "Yunongtong" comprehensive service platform for rural revitalisation, and gave full play to the leading role of county- and rural-level financial services. In terms of offline services, the Group built approximately 350 thousand "Yunongtong" service sites, covering most towns and administrative villages across the country, serving more than 62 million rural customers, and realising the convergence of service sites into a service chain. It issued a total of more than 31 million "Rural Revitalisation Yunongtong Cards", with the average daily deposits on an annual basis exceeding RMB180 billion. In terms of online platform operation, it created the "Yunongtong" app platform integrating financial services, smart village affairs, convenience affairs and e-commerce, with nearly 14 million registered users, providing rural customers with agriculture-related credit support amounting to nearly RMB100 billion. "CCB Yunongtong" WeChat ecosystem served more than 7.7 million WeChat users, further extending and expanding the online service ecosystem.

The Group pushed forward two agriculture-related credit product packages. For agriculture-related personal operating entities, mostly farmers, it rolled out "Yunong Loan", with loan balance exceeding RMB190 billion. Loans for farmers' production and operation increased rapidly by RMB177,551 million or 87.18% to RMB381,206 million at the end of 2023, and the number of borrowers increased by 48.46% over 2022 to 980 thousand. For agriculture-related enterprises and organisations, it rolled out "Rural Revitalisation Loan" packages. The Group innovatively promoted products designed for rural industry and rural construction such as "Agri-product Cold Chain Logistics Loan", "High-standard Farmland Loan" and "Agricultural Facility Loan". At the end of 2023, the Bank's agriculture-related loans totalled RMB3.82 trillion, an increase of RMB814,498 million or 27.11% over

◆ The picture shows the "paddy field of Shanlan rice" in Maoyang Town, Wuzhishan City, supported by Hainan Branch of CCB under the targeted assistance scheme.

2022. The number of agriculture-related loan borrowers was 3,945.3 thousand, an increase of 775.8 thousand or 24.48% over 2022. The interest rate of agriculture-related loans newly granted in 2023 was 3.60%. Agriculture-related inclusive loans totalled RMB605,206 million, an increase of RMB200,616 million or 49.59% over 2022.

The Group accelerated the building of a series of agriculture-related specialised ecological scenarios. The fist scenario refers to the featured agricultural industry chain ecosystem. In light of locality, regionality and characteristics, it formed distinctive regional scenario applications such as Yantai apples in Shandong province, Xinjiang cotton, and Shanghai edible fungi, and created a unified "Yunong Industry" platform system and service brand. It promoted service models such as "Yunong Market", "Yunong Cooperation" and "Yunong Custody", focused on customer groups such as agricultural wholesale markets & farmers' markets, farmers' cooperatives, and socialised agricultural service organisations, developed and launched comprehensive service platforms, innovated exclusive credit products, and served agricultural production, circulation and sales. The second scenario refers to rural government affairs. The Group innovated a featured platform known as "Disclosure of Party Affairs, Village Affairs and Financial Affairs" of Liaoning Province and created a cooperation model that benefits the people and strengthens the development foundation. Other key scenarios are as follows. The Group built the "Yunong Moments", focusing on serving farmers' social contact. It organised more than 3,400 "Yunong Sessions" to provide farmers with activities such as financial knowledge education and agricultural technology training.

The Group gradually established a digital risk control system for agriculture-related financial services. It applied digital tools to enhance the remote risk identification, control and resolution capabilities of the "Yunongtong" service sites, and promoted the construction of an offline grid-based and online intelligent risk control system for service sites. It optimised its post-lending management system and digital risk control platform, deployed monitoring models and continuously enhanced the effectiveness of such models, and launched post-lending examination as well as due and overdue management tools to enhance the risk management and control capabilities of "Yunong Loan".

## Feature article No. 3: "Yunongtong" – a comprehensive service platform for rural revitalisation

In recent years, the Group has given full play to its technological and inclusive characteristics to carry out in-depth New Finance practices in the field of rural revitalisation. It focused on the insufficient coverage of basic financial services in rural areas, built the "Yunongtong" rural revitalisation comprehensive service platform, and expanded the offerings of financial services to rural areas, driving the rapid growth of the Group's business while serving the national rural revitalisation strategy.

In terms of online services, it innovatively created the "Yunongtong" app and the "CCB Yunongtong" WeChat ecosystem and strengthened its collaboration with government agencies and agriculture-related service entities by extensively integrating rural social resources, providing financial services, smart village affairs, convenience affairs and e-commerce for farmers. With more than 100 scenario functions, such online platforms effectively made mobile phones the "new agricultural tools" and solved the "last mile" problems in terms of the Group's financial services for rural revitalisation.

In terms of offline services, the Group cooperated with high-quality third parties such as village committees, supply and marketing cooperatives, and health clinics, and set up about 350 thousand "Yunongtong" service sites across the country, so that without leaving the village, farmers can access basic financial services safely and conveniently, convenient services such as social security, medical insurance, and livelihood payments, primary-level governance services such as government affairs and village affairs, as well as public welfare services such as anti-gambling and anti-fraud, anti-money laundering, anti-counterfeit currency publicity and financial knowledge popularisation, greatly facilitating the daily life of farmers. By the end of 2023, "Yunongtong" service sites had processed more than one billion transactions for rural customers.


◆ The Yi people are learning to use the "Yunongtong" app for handling government affairs under the guidance of employees from CCB.

**Case story No. 2**

## Driving the transformation of "lucid waters and lush mountains" of Wanfeng Lake to "invaluable assets" with New Finance momentum

Located at the junction of five counties (cities) of Guizhou, Guangxi and Yunnan provinces, Wanfeng Lake is the connection among the three provinces (regions). Before 2018, due to the disorderly development of cage culture along the lake, Wanfeng Lake witnessed ever-deteriorating water quality and serious pollution. In November 2019, through "public interest litigation", the Supreme People's Procuratorate organised the three provinces (regions) to jointly carry out a comprehensive improvement initiative known as "Fishing Returns to Lake", beefing up efforts to address the pollution problems in Wanfeng Lake, and encouraging fishermen to turn to production activities. As a result, remarkable achievements have been made in ecological governance, and Wanfeng Lake has regained its "lucid waters and lush mountains".

The Group fully implemented the concept of "lucid waters and lush mountains are invaluable assets", joined hands with the Supreme People's Procuratorate to plan and create an ecological exemplification for rural revitalisation, and focused on both ecological governance and resettlement on livelihood of fishermen, so as to promote the transformation of public interest litigation governance achievements to economic and social development achievements. "Resettlement on livelihood of fishermen" secured "lucid waters and lush mountains". The Group provided credit support of RMB130 million to the "Qianfang Fishing" project in the model of "leading enterprises + financial cooperatives + farmers", supported the unemployed fishermen along Wanfeng Lake to turn to production activities, and promoted the project to become the largest land-based fish farming project with production capacity in Guizhou, empowering the transformation from traditional cage culture to high-tech land-based ecological fish farming. "External sales of vegetables" generated "invaluable assets". The Group granted a credit of RMB200 million to the "Vegetable Basket Distribution Centre Project for Guangdong-Hong Kong-Macau Greater Bay Area" in the Southwest Guizhou Autonomous Prefecture, helped enterprises transform their cold chains and storage facilities, and empowered the industrial chain business model of "company + vegetable base + distribution centre + cooperative + farmer", achieving re-employment and higher income of 8,000 fishermen and new urban residents. "Provision of financial services to rural areas" enabled higher income and better life. From focusing on urban development to serving rural revitalisation, the Group provided credit of RMB3 million for Guizhou-Guangxi-Yunnan Wanfeng Lake Fishery Co., Ltd. to develop fishery-tourism convergence industry, and credit of RMB499 million for leading enterprises along Wanfeng Lake to promote the employment and income of farmers in the surrounding areas.

◆ The Bank supported the rural revitalisation demonstration sites of "Fishing Returns to Lake for People".

◆ The Bank supported the construction of the "Vegetable Basket Distribution Centre Project for Guangdong-Hong Kong-Macau Greater Bay Area" in the Southwest Guizhou Autonomous Prefecture.

Note:

The Jinsha River Baihetan Green Power Project financially supported by CCB.

# GREEN FINANCE

We hold fast to our grand vision of building a "sustainable development bank" and secure a top-ranking position among major global banks in the ESG rating of MSCI.

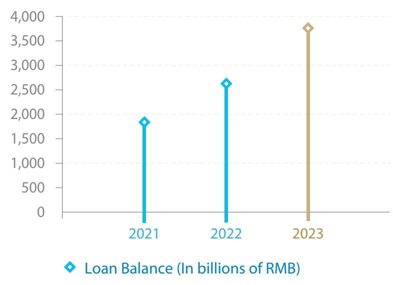
The Bank's green loans were

**RMB3.88 trillion**

An increase of

**41.19%**

Growth in green loans




## Green Finance

Adhering to the vision of "becoming a global-leading sustainable development bank", the Group created a diversified service system covering green loans, green bonds, green funds and green investments, so as to advance the comprehensive green transformation of economic and social development.

At the end of 2023, the Bank's green loan balance amounted to RMB3.88 trillion, an increase of RMB1.13 trillion, or 41.19% over 2022. The Bank allocated more financial resources to green and low-carbon industries, with the balance of RMB green bond investment and foreign currency green bond investment increased by 70.15% and 117.32% respectively over 2022. It focused on the investment and financing needs of transformation, and innovated diversified green financing channels. In 2023, the Bank underwrote 36 tranches of green debt financing instruments for non-financial enterprises, with an underwriting volume of RMB29,143 million. It also issued multiple tranches of green bonds, with an amount equivalent to more than RMB24 billion. CCB Principal Asset Management held green bonds amounted to RMB2.5 billion, and made a total of RMB27.6 billion of equity investment in multiple industries such as clean energy, energy conservation and environmental protection, clean production, and infrastructure green upgrading. CCB Financial Leasing continuously increased the size and proportion of its green assets, with the green leasing assets amounting to RMB47.3 billion, the proportion of which in the general leasing business increased by 8.77 percentage points over 2022.

**Case story No. 3**

## Green finance helping maintain enchanting sceneries in Gansu Province

If you drive through the vast Hexi Corridor, you will be impressed by the towering tower barrels, the humming wind generators, and the rotating blades along the way. The Hexi Corridor is one of the regions with the most abundant wind and solar energy resources in Gansu Province and even in China. The Bank's Gansu Branch has conducted a series of explorations and attempts on how to make such enchanting sceneries in Gansu Province more sustainable.

◆ Alongside the beautiful Gobi desert, a photovoltaic power project in Dunhuang is in full swing.

The Bank focused on clean energy, energy conservation and environmental protection, manufacturing of new materials, and transformation and upgrading of traditional industries, and increased credit support for high-quality borrowers in the region. At the hoisting construction site of the 100,000-kilowatt project of a power company in Guazhou, workers were conducting preparatory work in an orderly manner. After being informed of details of the project, Gansu Branch immediately set up a professional team to carry out field research, developed tailor-made service solutions, and granted loans of RMB399 million for the company within the shortest possible time to ensure the smooth operation of the project. Having been put into operation, the project registers an average annual production capacity of 260 million kWh, saving 98 thousand tons of standard coal per year.

◆ A 100,000-kilowatt project in Guazhou, supported by the Bank, has been put into operation.

The Bank explored new service scenarios and supported the development and construction of new energy bases in the Tengger Desert and Badain Jaran Desert in multiple approaches such as "photovoltaic + desertification control", "photo-thermal energy storage + photovoltaic + wind power", and "power generation combining photovoltaic and agriculture", with the aim of turning the Gobi Desert into a "green power production base". At the verge of the Tengger Desert, Gansu Branch provided support for a new energy development company to build a 200,000-kilowatt photovoltaic-based desertification control base in Liangzhou District, where rows of shimmering photovoltaic panels turned the "barren land" into a "blue ocean", and promoted the development of local agriculture, animal husbandry and tourism.

With green finance as the pivot, the Bank actively pressed ahead with the more efficient and accelerated development of the new energy industry, enabling sustainable enchanting sceneries in Gansu Province.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Building smart government affairs service platforms or application scenarios for **29** provincial governments with the total number of registered users of platforms exceeded **270 million**

◆ People using the "Xiang Yi Ban" (湘易辦) App of CCB to access government affairs services online in the Government Service Hall of Hunan Province.

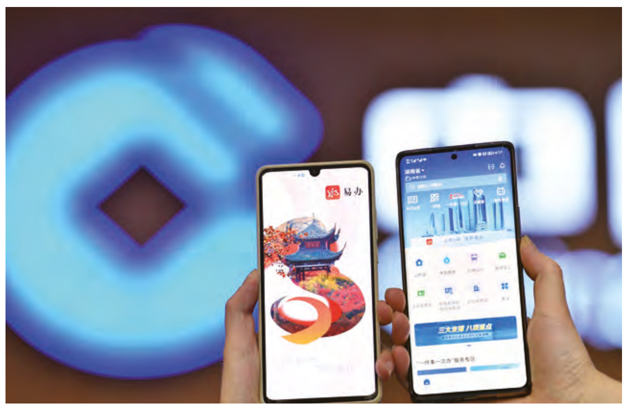
## Smart Government Affairs Services

The Group further promoted the innovation of smart government affairs services scenarios and achieved fruitful results in external empowerment. It established cooperative relationships with 29 provincial governments and built "all-in-one network" platforms or application scenarios. The total number of registered users of platforms exceeded 270 million.

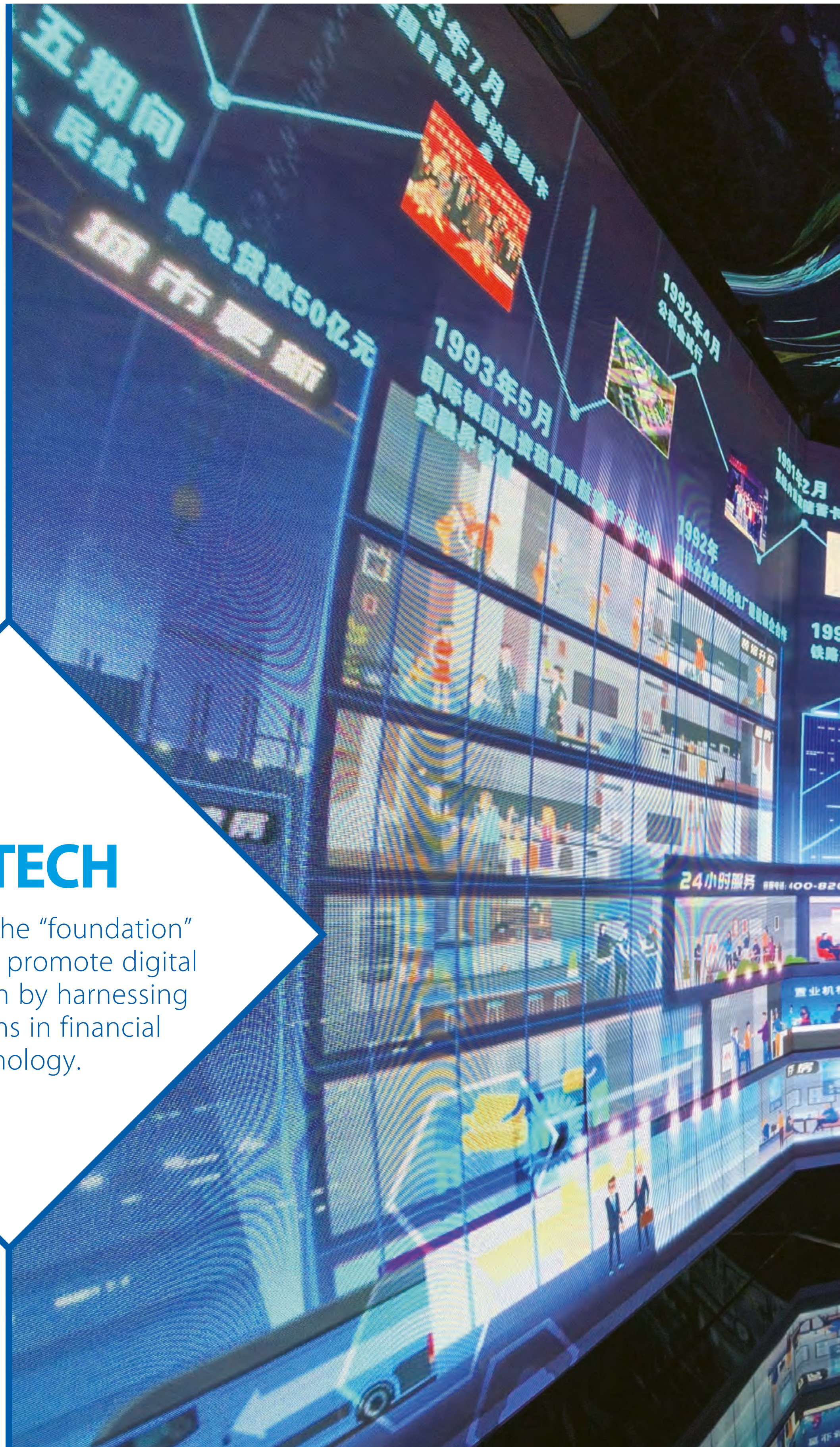
The Group further promoted the upgrade of "processing one item for just one time", helping to improve the efficient processing of government affairs. Focusing on the full-life-cycle service needs of enterprises and individuals, it empowered the integration and optimisation of cross-department and cross-level government affairs service processes with the solution of "Government Affairs + Finance" in regions such as Hunan, Chongqing, and Hebei, and created theme-specific package services such as "new-borns", "school enrolment", "starting a business" and "flexible employment", so as to comprehensively improve the convenience, experience and satisfaction of enterprises and individuals in terms of government affairs.

The Group made its outlets channels available to the public to build the "Government Affairs Hall for the Public". The Bank made its smart teller machines (STM) at outlets of all 37 branches available to the public to provide government affairs services, where people could process, make appointments for, and inquire about more than 9,000 government


affairs items, covering tax, social security, education and transportation. Over 100 million government affairs services have been processed for more than 30 million users.



The Group echoed the trend of the government's digital reform, and actively explored the new business forms of digital government development. The government affairs services payment system has been connected to 927 government platforms, with a total transaction amount of more than RMB300 billion, covering eight high-frequency business scenarios such as social security, finance, education, judicial and legal services, and real estate.




# FINTECH

We reinforce the "foundation" of Fintech and promote digital transformation by harnessing our strengths in financial technology.


Note:

CCB's "5G+ Smart Bank" brings brand new Fintech experience with user-friendly and caring functions

FinTech investments
**RMB25.024 billion**

The number of FinTech personnel
**16,331**

Granted a total of
**2,168 patents**

Including
**1,296 invention patents**

The computing power of CCB cloud
**463.34 PFlops**

## FinTech

The Group actively implemented its FinTech strategy, consolidated the infrastructure of digital finance, built a solid bottom line for safety production, enhanced the independent and controllable capabilities of core technologies, promoted the integration of business and technology as well as agile delivery, and empowered high-quality development group-wide.

The Group built the "CCB Cloud" digital infrastructure. "CCB Cloud" provides an integrated financial cloud solution of "FinTech infrastructures + financial business operating system + premium applications". CCB Cloud's computing power reached 463.34PFlops at the end of 2023, an increase of 17.09% over 2022, of which the proportion of new computing power such as graphics processing units (GPU) accounted for more than 20%, doubling over 2022, maintaining a leading position among its peers in terms of overall computing power and service capabilities. "CCB Cloud" continuously improved the layout of "Multi-Zone, Multi-Region, Multi-Technology Stack and Multi-Chip", and integrated multiple computing power such as general and intelligent computing power, enabling the incorporation of ultra-large-scale core financial services, key businesses and intelligent services. It was awarded the "Financial Technology Innovation Awards – Best Cloud Based Implementation" in Asia by The *Asian Banker* in 2023, and was the first to pass China's cloud computing service security assessment, effectively supporting internal and external empowerment with "secure, compliant, and trustworthy" financial-grade cloud service capabilities.

The Group continuously pressed ahead with the transformation of its core banking system to distributed architecture. It completed the comprehensive transformation and single-track operation of all domestic personal businesses such as customer information, personal deposits, debit cards, credit cards, and personal loans from centralised to distributed architecture, setting a record for the number of customers, accounts, and transactions subject to architecture transformation of the Bank. The distributed banking core system served 760 million personal customers and undertook 94% of the Bank's core business volume, achieving a milestone breakthrough in the distributed architecture transformation.

The Group systematically enhanced its expertise in technology. It promoted independent research and development of its AI platform, intensified its efforts in professional capabilities in the five fields of computer vision, intelligent voice, natural language processing, knowledge graph and intelligent decision-making, and effectively improved the engineering and productisation capabilities of such platform. Services of its AI platform were invoked for 43.3 billion times, and the AI platform was awarded the "Best

AI Technology Implementation" by *The Asian Banker* in 2023. The Group continuously developed financial image and text recognition products that support the recognition of more than 140 kinds of bills and documents, covering 75% of the bill recognition volume, helping to improve the efficiency of bill review information input by 120 times, and won the first place in the 2023 International Conference on Document Analysis and Recognition (ICDAR 2023) in terms of seal title text detection. It advanced independent research and development of end-to-end voice recognition and voice synthesis capabilities, enabled multiple functions, including speaker voiceprint recognition, dialect and accent recognition (e.g., Sichuanese), and audio quality detection, and covered scenarios such as intelligent outbound calls to ensure business compliance. It adopted personalised speech synthesis, enabling the conversion of ultra-long text (up to 100 thousand words) into audio, supporting the voice broadcast of information from *China Construction Bank News* and CCB WeChat account, thus improving user experience. It put FinLLM into production, built LLM vector databases, created a tool for converting text to image, and further promoted the application of generative AI in scenarios such as intelligent customer service, marketing, investment research reports, smart office, intelligent operation, and intelligent risk control. As one of the core authors, the Group, together with the China Academy of Information and Communications Technology ("CAICT"), released the first standard of LLM for the banking sector in China. It used Heterogeneous Graph Neural Networks ("HeteGNNs") algorithms, effectively improving the performance of enterprise risk early warning via verification of historical data. The big data platform improved real-time data processing capabilities with the daily peak processing volume exceeding 100 billion, supported application scenarios such as targeted marketing, anti-gambling and anti-fraud, and managed clusters covering over 30 thousand physical nodes.

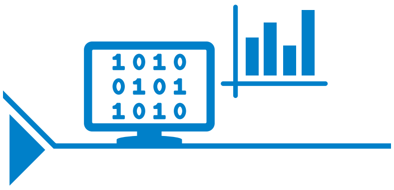
The Group continuously enhanced the quality and efficiency of sci-tech R&D. It strengthened its overall management of enterprise-level requirements, and improved response efficiency, significantly shortening the average time from the submission of business demands to online production compared with 2022. During the year, the Group responded to 16,622 business demands, put 68,255 business demands into operation, and supported the launch of several key projects such as retail credit, "CCB Huidongni" 4.0, Mega Asset Management System, and treasury management service for mega state-owned enterprises. Covering all customers and all businesses group-wide, the Group launched a comprehensive financing management system for corporate customers, which includes the head office, branches and subsidiaries in the management of credit lines and non-credit investment and financing limits, innovatively enabling the real-time control of trading systems of its subsidiaries through approval operations. It continuously improved the employee experience, with more than 300 thousand and 200 thousand daily active users accessing "CCB Employee" via app and PC, respectively. CCB Consulting completed its "Winging Project", CCB Investment put the subject function of its reconstructed core system into operation, CCB Principal Asset Management implemented its Quick-win Scheme of "Wutong Project", and the cloud migration rate of systems of CCB's subsidiaries reached 82%, marking that the integrated IT construction across the group achieved remarkable results.

The Group continuously reinforced its integrated security management. It established a solid integrated security protection system, continuously improved its enterprise-level security architecture of "Security as a Service", optimised its security testing process, and enhanced the safety quality and refined management of system R&D. It effectively advanced its governance of the system architecture, and improved the concurrent processing capacity of the system, with the peak transaction volume of "CCB Lifestyle" hitting a record high of 287.7 thousand per second. It promoted the application of security operation platform, carried out internal cybersecurity attack and defence drills and network security competitions on a regular basis, and improved the practical capability of security operation team. It also established an online management mechanism for the full-life-cycle of vulnerabilities, proactively identified vulnerabilities, and provided warning information of such vulnerabilities in a timely manner, so as to wipe out hidden risks.

The Group deepened the systems and mechanisms for FinTech, and increased FinTech investments. It further implemented its IT R&D structure optimisation plan, carried out the pilot project of business-oriented IT product manager system, effectively promoted agile collaboration as well as integration of business and technology, improved the quality and efficiency of R&D, and enhanced FinTech synergy at the group level. It implemented the FinTech Talent Project, continuously pressed ahead with the construction of FinTech talent team, selected outstanding young FinTech talents, established a talent pool, and organised training camps. At the end of 2023, the number of FinTech personnel of the Group was 16,331, accounting for 4.33% of its total headcount. The Group's FinTech investments amounted to RMB25,024 million, and accounted for 3.36% of its operating income, maintaining a steady growth. It was granted a total of 2,168 patents, an increase of 905 over the end of 2022, including 1,296 invention patents. Beijing Daoxianghu Data Centre and Wuhan Nanhu Data Centre were included in the list of 2022 national green data centres jointly issued by six ministries including the Ministry of Industry and Information Technology ("MIIT").

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW




**Business middle platform**

Accelerated the improvement of digitisation level and application capabilities, and released a total of **1,380** middle platform capabilities

**Data middle platform**

Enhanced the efficiency of data supply, with more than **90%** of data being supplied at T+1.

**Technology middle platform**

Adhered to the concepts of multiplexing, agility and synergy, and applied technical capabilities to **2,609** business scenarios

## Digitalised Operation

The Group adhered to its missions of enterprise-level and intensive operations, focused on the construction and operation of scenario-based platforms and burden reduction empowered by digital tools, and continuously enhanced its digitalised operation capability. It actively implemented the *Plan for the Overall Layout of Building a Digital China* and the *Master Plan for Building a Digital CCB (2022-2025)*, deeply integrating into the construction of Digital China and implementing the phased goals and tasks of building a digital CCB.

The Group continued to promote the coordinated integration of three major middle platforms of business, data, and technology. It fostered its reusability capabilities and developed solutions to meet the needs of agile, low-cost, and large-scale development. In terms of business middle platform, the Group accelerated the improvement of its digitisation level and application capabilities. It released a total of 1,380 middle platform capabilities, an increase of 681 over 2022. Capabilities have been used in 258 scenario-based platforms of the Group. In terms of data middle platform, the Group focused on sharing data resources and capabilities, and continuously consolidated unified data packs of multi-source heterogeneous data. It enhanced the efficiency of data supply, with more than 90% of data being supplied at T+1. The volume of average daily real-time data collection reached 8.1 billion, and the volume of annual external data utilisation reached 4.3 billion times. The Group improved the service quality and efficiency of the data middle platform to its businesses, established a unified data integration and sharing channel, realised PC- and app-based customer-specific dashboards for index query, and lowered the threshold of data application for branches and sub-branches. In terms of technology middle platform, the Group adhered to the concepts of reusability, agility and collaboration, and continuously enhanced the efficiency of technology supply and service levels. It applied its technological capabilities to 2,609 business scenarios to support the cloud-native architecture transformation and the construction of disaster recovery systems, and pressed ahead with intelligent search & recommendation, helping to increase the click-through rate of pop-ups of "Benefits Season" marketing campaign in both mobile banking and "CCB Lifestyle" by 4.14 times.

The Group continuously improved its data governance system. The Bank was granted the Level 5 certification of Data Management Capability Maturity Assessment Model (DCMM), manifesting its leading data management capabilities among its peers. It was deeply engaged in intensive, platform-based and ecological operation models, and relied on enterprise-level platforms such as mobile banking, "CCB Lifestyle", "CCB Huidongni", "CCB Yunongtong" and "CCB e-Chain" to drive the mutual reinforcement and integrated development of financial and non-financial services. It continuously improved the quality and efficiency of operations of featured scenario-based platforms, completed the post-

evaluation of 194 featured scenario-based platforms, rectified inefficient scenarios, and improved the operating effectiveness of more than 100 platforms to varying degrees.

In 2023, the Bank continuously promoted product full-life-cycle management, and launched 35 product evaluation models based on the enterprise-level product family tree to provide support for the post-launch evaluation of the Bank's products. It launched eight strategic innovation projects, completed 51 key innovation projects of head office, 1,126 key independent innovation projects and 1,807 portable innovation projects of branches, and implemented 17 innovation projects of domestic subsidiaries. It continuously carried out the innovation marathon campaigns, with more than 180 thousand employees participated on a cumulative basis, further stimulating the enthusiasm for innovation bank-wide. The project "Product Family Construction and Application of Commercial Banks" won the second prize of the PBC's FinTech Development Awards.

## Feature article No. 4: "Project Fangzhou" – focusing on the trend of technological development and advancing the construction and application of FinLLM

The era of LLM like ChatGPT ushers in continuously deepened digital economy and further accelerated technological innovation and iteration. Therefore, the application of FinLLM for the purpose of improving customer experience and empowering employees to reduce their burdens is a key direction of the Group's digital transformation.

Focusing on its three major objectives, i.e., applying FinLLM in business scenarios, facilitating the transformation of working mode of the Group's employees, and establishing its competitive advantage in the era of AI, the Group implemented "Project Fangzhou" to promote the construction of FinLLM. In terms of basic capability building, FinLLM has been in place to support seven first-level capabilities, including information summary, information inference, information expansion, text conversion, security and values, complex reasoning, and financial knowledge. In terms of basic application construction, the Group has rolled out basic applications of FinLLM such as "Fangzhou" Assistant, "Fangzhou" Toolbox, and Vectorised Knowledge Base. In terms of business scenario construction, by the end of 2023, such FinLLM had been applied in 25 business scenarios, such as generation of intelligent customer service work sheets, automatic production of creative content and copywriting related to marketing, rapid generation of summaries and comments in investment research reports, automatic generation of customer visit records via voice input, automatic generation of pictures based on prompts and key parameters, and automatic generation of listed companies' due diligence report, so as to enhance the employees' professionalism and efficiency in terms of content generation. Specifically, the project of generation of intelligent customer service work sheets could save an average of 15-20 seconds of customer service working time per order, with availability rate reaching 82% and consistency rate reaching 80%, which won the first place in the 2023 Customer Service and Remote Banking Innovation Application Competition of the China Banking Association in terms of other projects.

## Q & A: Q&A with Senior Management

Question: What are the good practices of CCB in using digital finance to support the development of digital economy and promote the integration of digital and real economies?

Mr. Li Min, the executive vice president: In recent years, the Group has actively explored the use of digital means to facilitate the development of key businesses, vigorously developed digital financial business, and enhanced its ability to serve the digital economy and promote the integration of digital and real economies. We have accumulated some experience in supporting small and medium-sized sci-tech enterprises in the core industries of the digital economy. On the one hand, the Group focused on key customer groups such as high-tech enterprises and continued to increase policy support in terms of pricing authorisation and credit scale. On the other hand, considering the characteristics of sci-tech enterprises focusing more on intellectual property and core technologies rather than physical assets, the Group has developed and launched 20 achievements in three categories, including exclusive evaluation methods, to form a "VALUE" service system. In addition, the Group has established a quantitative evaluation model for intellectual property, which is the core element of innovation, and built an evaluation system for the innovation ability of sci-tech enterprises, so as to assist in solving pain points of sci-tech innovation enterprises such as difficult financing, high financing costs and slow pace of funding. By far, the balance of loans granted to the core industries of digital economy by the Group was nearly RMB700 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

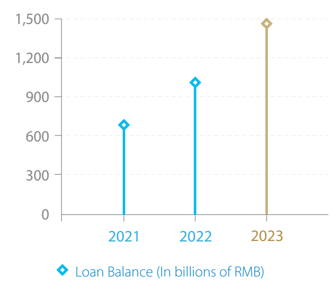
BUSINESS REVIEW

# CORPORATE FINANCE BUSINESS

## STRATEGY OF CORPORATE FINANCE BUSINESS

The Group vigorously supports the real economy, efficiently empowers the building of "Manufacturing Power", proactively supports infrastructure construction, and implements national and regional development strategies. It continuously facilitates the development of sci-tech innovation enterprises and green and low-carbon transformation and helps improve the resilience and safety of industrial and supply chains. It sticks to the "customer-centric" concept and strives to build a high-level corporate customer service system.

A glimpse of the growth in medium and long-term loans to manufacturing industry



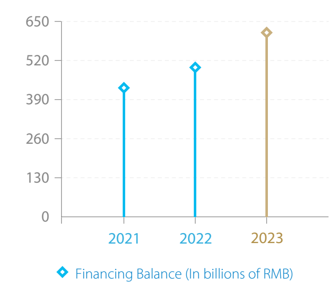

The Bank's loans to private enterprises were

**RMB5.4 trillion**

An increase of

**21.39%**

A glimpse of the growth in online supply chain financing




The Bank was committed to serving the high-quality development of the real economy, and provided premium services for various market entities through a comprehensive product package of loans, bonds, equity, securitisation, settlement, and cash management. It actively assisted in the high-end, intelligent, and green upgrading of the manufacturing industry, effectively supported infrastructure construction, empowered sci-tech innovation enterprises with "Finance + Intelligence" solutions, enhanced the quality and efficiency of industrial and supply chains with supply chain finance, thoroughly implemented China's major regional strategies, and assisted in China's transformation into a trader of quality. It actively explored scenario-based, platform-based, and digitalised operation, and launched a series of innovative products and services, including "Technology Easy Loan", "FITS e+", "Cross-border Quick Loan", and "CCB Treasury Management Service".

### Corporate Banking

Corporate deposits increased steadily, and the customer base was continuously consolidated. At the end of 2023, the Bank's domestic corporate deposits amounted to RMB11.86 trillion, an increase of RMB758,855 million or 6.84% over 2022. Specifically, time deposits increased by 20.85%, and demand deposits decreased by 2.57%. The number of the Bank's corporate customers was 10.82 million, an increase of 1.47 million over 2022. The Bank had 15.10 million corporate RMB settlement accounts, an increase of 1.89 million over 2022.

The Bank further enhanced support of corporate loans for the real economy. At the end of 2023, the Bank's domestic corporate loans amounted to RMB13.23 trillion, an increase of RMB2.21 trillion or 20.01% over 2022, with the NPL ratio of 1.88%. Loans to infrastructure sectors such as transportation, electric power, and water conservancy maintained rapid growth. Loans to manufacturing industry amounted to RMB2.70 trillion, an increase of RMB459,637 million or 20.47% over 2022. Specifically, medium and long-term loans to manufacturing industry amounted to RMB1.45 trillion, an increase of RMB451,031 million or 45.25% over 2022. Loans to private enterprises amounted to RMB5.40 trillion, an increase of RMB951,216 million or 21.39% over 2022. Loans to strategic emerging industries totalled RMB2.24 trillion, an increase of RMB768,129 million or 52.14% over 2022. Loans to sci-tech enterprises amounted to RMB1.53 trillion, an increase of RMB296,878 million or 24.13% over 2022. Loans to domestic real estate industry amounted to RMB853,956 million, an increase of RMB83,281 million or 10.81% over 2022. The Bank provided 153.9 thousand chain customers in the industrial chains of 5,680 core enterprises with a total of RMB1.11 trillion supply chain financing support on a cumulative basis in 2023.


The Bank actively implemented China's major regional strategies and coordinated regional development strategies. At the end of 2023, new corporate loans in the Beijing-Tianjin-Hebei region, the Yangtze River Delta, and the Guangdong-Hong Kong-Macao Greater Bay Area exceeded RMB1.3 trillion, and corporate loans in Northeast, Central and Western regions saw a solid year-on-year growth.

## Feature article No. 5: Effectively enhancing the efforts in technology finance, and achieving high-level technology self-reliance and self-empowerment

The Central Financial Work Conference pointed out that "we must make significant efforts in the areas of technology finance, green finance, inclusive finance, pension finance and digital finance". Topping the five areas, technology finance is of self-evident importance.

The Bank attached great significance to technology finance, considered the vigorous development of technology finance services as one of the key directions of the Group, continuously strengthened innovation, optimised processes, and propelled the formation of four systems, i.e., policy guarantees, product innovation, comprehensive financial services and professional services. It focused on the laws and characteristics of the innovation and development of sci-tech enterprises, continuously optimised the supply of technology finance, beefed up its efforts to steer more financial resources into the real economy and innovative industries, actively drove the deep integration of innovation chain, industrial chain and capital chain, and enabled a benign cycle of "technology-industry-finance". By providing diversified and one-stop comprehensive financial services on all fronts, it assisted in the construction of a modern industrial system, sped up the formation of new quality productivity, and fully supported the achievement of high-level technology self-reliance and self-empowerment.

**Case story No. 4**

## "Technology Easy Loan" for the development of sci-tech innovation enterprises

The Bank made innovative use of sci-tech innovation evaluation tools, promoted the "Technology Easy Loan" product, continuously increased its financing support for sci-tech enterprises, and effectively advanced the deep integration of innovation chain, industrial chain, capital chain and policy chain, infusing strong financial momentum into China's technological innovation progress and the development of sci-tech enterprises.

If you walk into an advanced moulding technology company in Suzhou, you will be impressed by a silver-grey "steel frame car". An executive of the company said, "the body of the car was manufactured using our company's electro-galvanised thermoforming technology, which produces parts with five times the tensile strength and less than half the thickness of those produced by conventional process, and the cost is also lower." The Bank served the automotive industry from a forward-looking perspective, with the aim of achieving common growth with enterprises. Based on its understanding of the growth potential, team strength and core technology of enterprises, the Bank's Suzhou Branch developed tailor-made comprehensive financial service solutions for enterprises, and provided unsecured financial support to enterprises through "Technology Easy Loan", the Bank's exclusive product for sci-tech innovation enterprises, so as to relieve the pressure of R&D funds for new projects and enable enterprises to devote themselves to R&D without financial concerns.

## Institutional Business

The Bank focused on differential policies for institutional customers and strengthened the coverage of cooperation in key areas. It has been rated as "Excellent" in the comprehensive assessment of the national treasury centralised payment agent banks of the MOF for five consecutive years, with a continuous business expansion, and the total income and expenses of agency financial fund business exceeding RMB13 trillion. It rolled out innovative platforms for "supervision of rural collective assets management (including funds, properties and resources)", "rural property transactions" and "smart village affairs", and launched the "Collective Credit Loan" product, the first among domestic peers, with deposits based on county primary-level governance service scenario exceeding RMB120 billion. It used the "Smart Judicial and Legal Services" platform to enhance the quality and efficiency of intelligent development of judicial and legal services, established systematic cooperation with 29 provincial judicial and legal units, and built a "case-specific, person-specific, and casefile-specific" management platform for more than 1,400 procuratorial, judicial and public security organs. The Bank capitalised on its digital platforms to promote social organisation customer services and expand key customers in trade unions, charity, religion and pension, thus forming a new financial ecosystem of social organisation customers.

## Investment Banking Business

Adhering to the principle of "customer demand-oriented", the Bank was committed to providing customers in different industries and at different stages of development with integrated financial services of "commercial bank + investment bank". It continued to increase investment banking support for major strategies and key areas by means of bonds, financial advisory, mergers and acquisitions, funds, equity investment and financing, and asset securitisation to provide targeted services for the real economy. By the end of 2023, the outstanding balance of direct financing provided by the Bank for entities through investment banking had been over RMB1.69 trillion, and the Bank newly provided direct financing of RMB517.5 billion in 2023. It continued to utilise the leading role of FITS®, optimised and strengthened the featured customer services of investment banking, and established nearly 50 direct sales teams of head office, branches and subsidiaries and 1,600 task-based service teams covering all levels of the head office, branches, sub-branches and subsidiaries. It steadily promoted the iterative updating of its systems and platforms, launched the "Smart Investment Banking Ecosystem 4.0", and built the innovative "Mobile Investment Banking" service system. It realised interconnection of three customer platforms, i.e., "FITS® e Intelligent", "FITS e+" and "FITS Wits" at multiple levels such as channels, users and scenarios, with a total of more than 1 million registered users, forming a closed-loop operation of "customer marketing – demand identification – product supply – value creation". It also promoted the intelligent upgrading of financial advisory services and achieved remarkable results in digital advisory services. The Bank was awarded "Best Investment Bank in China" by the Global Finance; the "'Equity Flow' - Green Industry Booster" was awarded the "IFF Global Green Finance Award·Innovation Award"; and the "Equity Flow" technology finance service system was awarded the "Outstanding Technology Finance Innovation Award" at the 12th GoldenWis Award Ceremony.

### Asset-backed Securitisation Business

Focusing on the needs of enterprises for revitalising their legacy assets, lowering debt, and improving profitability, the Bank expanded its businesses such as CIBM quasi-REITs and infrastructure public REITs financial advisory, and pursued product innovation in fields of green and low-carbon, housing rental, intellectual property, and advanced manufacturing. It continued to improve the disposal efficiency of non-performing asset securitisation, and gave full play to the positive role of asset securitisation in optimisation of asset structure and improvement of asset quality. The Bank issued four FITs Jianpu Small and Micro Business Loan Asset-Backed Securities with total issuance amount of RMB50 billion and a principal of RMB50 billion; it issued six non-performing assets-backed securities of residential mortgages with a total balance of RMB7,882 million and a principal of RMB16,002 million; it issued four non-performing credit card assets-backed securities with a total balance of RMB1,905 million and a principal of RMB12,128 million; it issued three non-performing asset-backed securities of "Quick Loan for Small and Micro Businesses" with a total balance of RMB672 million and a principal of RMB5,765 million; it also issued one non-performing assets-backed security of personal consumer loans with a total balance of RMB95 million and a principal of RMB560 million.

**Case story No. 5**

#### CIBM quasi-REITs products serving mega state-owned enterprises to reduce leverage and improve profitability

In 2023, the Bank successfully underwrote eight interbank quasi-REITs totalling RMB14,005 million, serving a number of large state-owned enterprises such as State Power Investment Corporation Limited, China Huadian Corporation Ltd. and China Huaneng Group Co. Ltd. By the end of 2023, it had ranked first among its peers in the interbank market in terms of underwriting volume and number of transactions, with its products covering multiple underlying assets such as energy infrastructure, housing rental and industrial parks. It achieved a number of innovations such as the first "Green + Sci-Tech Innovation" double-labelled quasi-REITs and the first mixed sci-tech innovation quasi-REITs.

In May 2023, the Bank successfully underwrote the issuance of 2023 green targeted asset-backed notes (Quasi-REITs/sci-tech innovation notes) of Shanghai Energy Technology Development Co., Ltd. ("Shanghai Energy Technology"), a subsidiary of State Power Investment Corporation Limited, which were "Sci-Tech Innovation + Green" double-labelled REITs in the interbank market, with a Senior A tranche coupon rate of 3.63% and an over-subscription rate of 2.51 times, seeing active subscription by market investors. Drawing on the product mechanism of public REITs, the project took the equity and debt of wind power enterprises as its underlying assets, and the income derived from the operation of underlying assets as the cash flow source for the redemption of asset-backed notes, and Shanghai Energy Technology, the originator, provided effective support for the normal operation of assets as an asset servicer. The product was set up with multi-dimensional credit enhancement measures and decision-making mechanisms, such as capital increase and liquidity support, enabling the funds raised to be included in the non-controlling interests of the originator, thus achieving the purpose of optimising the financial statements. The Bank organised scheme design, regulatory communication, roadshow sales, and marketing over the whole process, and effectively assisted Shanghai Energy Technology in revitalising its legacy assets, raising new equity funds of RMB1.67 billion.

The CIBM quasi-REITs products represent the Bank's practice in providing comprehensive financial solutions of "Finance + Intelligence + Technology + Credit", and a valuable exploration for serving the real economy with financial services and solving the pain points of enterprises, which provided new solutions for energy enterprises and even the entire infrastructure industry to revitalise their legacy assets, reduce leverage and improve profitability.

**Feature article No. 6**

## Providing effective financial support for the Silk Road with ten years of arduous efforts

Over the past 10 years since the Belt and Road Initiative ("BRI") was proposed, the Bank has taken serving the national strategy as its own responsibility, with the aim of high standards, sustainability and benefiting the people's livelihood, advanced high-quality Belt and Road cooperation, and contributed to the building of a community with a shared future for mankind and the smooth dual circulation of domestic and international markets.

The Bank leveraged FinTech to advance high-quality Belt and Road cooperation. It took the lead in building the cross-border smart matchmaking platform – "CCB Match Plus", developed the innovative "Longyantong" satellite remote sensing project, explored railway electronic bills of lading and supporting financial services, and facilitated the high-quality development of strategic corridors such as the China-Europe Railway Express and New Western Land-Sea Corridor.

The Bank optimised its global layout to connect the "dual circulation" financial bridge. It continued to optimise its global network. It established business contacts with nearly 1,000 banks in Belt and Road countries, innovatively launched the "CCB Unifi" cooperation platform, and actively promoted business cooperation through functions such as platform intelligent matching and online signing.

The Bank provided comprehensive services to facilitate financing of the BRI. Adhering to the service concept of "Finance + Intelligence", the Bank made use of products and services such as international syndicate, cross-border merger and acquisition, export credit, project financing, and financial leasing to precisely meet the various construction needs of BRI. The Bank took the Project Factoring (Jiandantong, Jianpiaotong and Jianxintong) as the pivot, and provided matching financial support for customers in key industries such as overseas project contracting, large-scale equipment manufacturing export, and labour export.

The Bank made financial innovation to promote the RMB internationalisation under the BRI. It has published reports on RMB internationalisation for consecutive years to study and evaluate the changes in RMB application in cross-border financial activities in key regions such as those along the "Belt and Road". It rolled out the innovative "Cross-border Easy Payment" – all-currency payment products, basically covering all countries and regions involved in the "Belt and Road".

The Bank accentuated the ecological characteristics of the BRI with green finance. Aiming at becoming a global leading sustainable development bank, the Bank was among the first to join the *"Belt and Road" Green Investment Principles*. In May 2023, the Bank issued overseas green bonds with the themes of "biodiversity" and the "Belt and Road" to press ahead with the BRI construction and continue to propel the development of green finance.

Scan for more

### International Business

The Bank steadily enhanced its ability to participate in international competition, and contributed to high-quality development and high-level opening-up. It efficiently served the real economy and provided comprehensive financial services for foreign trade and foreign-funded enterprises. Its annual supply of trade finance reached RMB1.82 trillion, and international settlement volume reached US$1.56 trillion. The "Cross-border Quick Loan" series of products provided financing support of RMB29.1 billion for 15 thousand small and micro foreign trade enterprises. The Bank created a "comprehensive, targeted and fast" service brand under the new form and mode of foreign trade businesses, and achieved the supply of settlement products covering all product categories, including cross-border e-commerce, market procurement and foreign trade comprehensive service enterprises. It supported the priority development of key regions in opening-up, built a multi-functional free trade account system, and increased financial supports for the construction of Hengqin, Qianhai and Nansha Free Trade Zones. It helped to achieve high-quality Belt and Road cooperation with financial supports, and continued to improve

◆ The picture shows the staff of the Korea Marketing Department of the Bank's Seoul Branch.

the comprehensive financial service system of "China-Europe Railway Express". Its "all-currency payment" products could meet the payment needs of more than 140 small currencies under "Belt and Road" economic and trade exchanges, and Project Factoring (Jiandantong, Jianpiaotong and Jianxintong) provided financing support of RMB17.1 billion for 146 projects in "Belt and Road" countries. The Bank advanced cross-border matchmaking to help facilitate the global economic and trade connection. With more than 240 thousand registered users, "CCB Match Plus" platform had held 300 cross-border matchmaking events for nearly 22 thousand enterprises in 37 countries and regions. The Bank steadily and prudently pressed ahead with RMB internationalisation, with the annual cross-border RMB settlement volume exceeding RMB4 trillion. The Bank's RMB Cross-border Payment & Receipt Management Information System (RCPMIS) was awarded the "Best Regulatory Technology Implementation" in 2023 by The Asian Banker. It actively promoted the construction of overseas RMB market, and CCB London Branch continued to be the largest RMB clearing bank outside Asia with a cumulative clearing amount of over RMB87 trillion.

## Settlement and Cash Management Business

The Bank practised the concept of laying a solid foundation, consolidated customer and account base, and reinforced service support for key customers.

The Bank optimised and reshaped the service process for corporate accounts, expanded online channels, and integrated and streamlined documentation, significantly enhancing the ability to provide digital and online services for corporate accounts. It embedded account appointment services in 10 online channels of the Bank, including the official WeChat applet and the "CCB Huidongni" app, as well as 39 "all-in-one network" local government affairs platforms, and built an enterprise-level customer due diligence system, improving the efficiency of account-opening due diligence by cutting customer signatures and fill-in items. It advanced the pilot projects of integrating RMB and foreign currency account systems for bank settlement and provided customers with RMB and foreign currency bank settlement account services in a wider range and at a deeper level.

The Bank upgraded the basic capabilities and customer experience of cross-bank cash management of the "Treasury Cloud", optimised the customisation function and response efficiency for customers in key industries. It launched the "Zhangbutong" product to create online, intelligent and integrated payment collection and settlement services adapted to customers' transaction behaviours. It deepened the scenario-based and ecosystem-based promotion and application of special cash management products, such as Jianguanyi, Huishibao, bill pool, and multi-mode cash pool, and innovated a new paradigm for cash management products to serve the real economy. Relying on its comprehensive settlement functions and parameter configuration capabilities of agency collection and payment products, it focused on the cross-regional and cross-level fund collection and payment needs of large group customers, and provided financial services such as joint agency collection and payment, agency collection and payment authorisation, payment of fees, and multi-level fund clearing and reconciliation, delivering tailor-made services to meet customers' needs.

The Bank deeply engaged in its services with long-tail corporate customers. In 2023, it had 1.73 million new long-tail corporate customers, with an average daily deposit of RMB1.06 trillion of all long-tail corporate customers. It sold 1.66 million product packages for new account-opening customers, an increase of 426.9 thousand or 34.55% over 2022. It served 481.3 thousand long-tail corporate customers who have been upgraded to "customers above designated size" or "customers with loans", of which 448.9 thousand customers were transferred to inclusive finance loan borrowers, with both the average daily balance of demand deposits and loans of such customers exceeding RMB100 billion. The agency service for migrant worker wage payment had 180.2 thousand contracted corporate customers, and 48.71 million payments were made by the Bank's payroll services for migrant workers, amounting to RMB366,514 million, benefiting 18.33 million migrant workers.

**Feature article No. 7:**

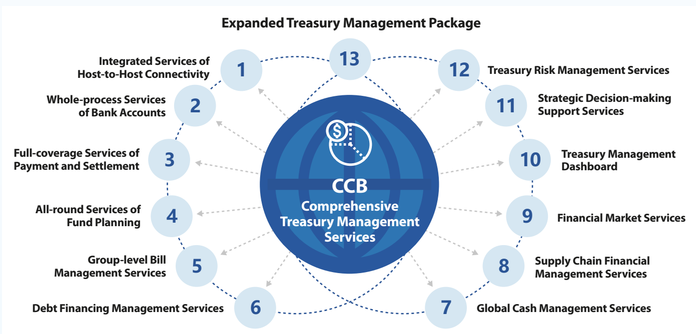
### Creating the service brand of "CCB Treasury Management Service" to help enterprises build a world-class financial management system

As a pivot for promoting the digital transformation and upgrading of enterprise financial management, the construction of treasury management system is an inevitable choice for building world-class enterprises in the era of digital intelligence. Focusing on the characteristics of the ecological chain of enterprises covering the full cycle, the Bank built an all-round multi-dimensional treasury management service matrix covering payment and settlement, cash management, supply chain finance, international settlement and trade finance, financial market, bond underwriting, and bill business based on its advantages in FinTech and integrated global collaboration capacity. It has formulated "enterprise-specific" service plans and exerted full efforts to become the most professional key supplier of treasury management service, actively empowering enterprises in the new journey of transformation towards digitalisation and intelligence.

MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

In 2023, the Bank rolled out a global treasury management service solution with "12 core services + one expanded package" as its core. The "12 core services" cover integrated services of host-to-host connectivity between the Bank and enterprises, whole-process services of bank accounts, full-coverage services of payment and settlement, all-round services of fund planning, group-level bill management services, debt financing management services, global cash management services, supply chain financial management services, financial market services, treasury management dashboard, strategic decision-making support services and treasury risk management services; the "one expanded package" focuses on the construction of the enterprise treasury management system, continuously expands the boundaries of the comprehensive treasury management services, gives full play to the professional advantages of the Bank, assists enterprises in risk prevention, and promotes online business processing. The Bank actively cooperated with the enterprises to determine the phased goals and key tasks of the treasury management system construction according to their industry characteristics, development stage and management level, helped enterprises to realise the visualisation of all bank accounts of all subsidiaries, the traceability of all fund flows, and the control of all concentrated funds, enabling high-quality construction of enterprise treasury management system, and supporting enterprises in building a world-class financial management system. By the end of 2023, the Bank had provided CCB Treasury Management Services to 92 mega state-owned enterprises, 74 local state-owned enterprises and large private enterprises based on host-to-host connectivity between the Bank and enterprises.





## Q & A Q&A with Senior Management

Q: What work has CCB carried out in supporting the "Three Major Projects" in the real estate sector, and how is it going so far?

Mr. Wang Bing, the executive vice president: The Bank resolutely implemented the major strategic decisions and deployments of the CPC Central Committee and the State Council, actively supported the construction of government-subsidised housing, the construction of public infrastructure for both normal and emergency use, and the transformation of villages in urban areas, promoted the smooth transition of the real estate industry to a new development model, and facilitated the stable and healthy development of the real estate market. The Bank successively set up Special Task Force for "Three Major Projects", developed and issued special work plans, defined objectives and strategies, strengthened support and guarantee, and refined working measures to vigorously support the construction of the "Three Major Projects".

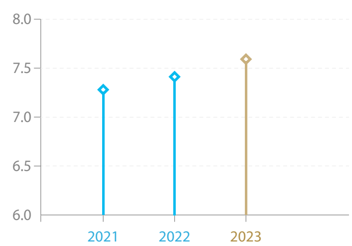
At present, the Bank has established a "1+N+X" marketing service system. Each branch regularly approaches the projects in the list of "Three Major Projects", speeds up project assessment, product application and multi-channel financing, and actively enhances the quality and efficiency of services, seeing fruitful results. By the end of 2023, it had approached more than 200 projects in the "Three Major Projects" list and had over 150 projects in pipeline with financing needs totalling RMB17 billion. Subsequently, the Bank will further capitalise on its traditional advantages in real estate finance and infrastructure construction to increase its support and accelerate the implementation of more projects.

# PERSONAL FINANCE BUSINESS

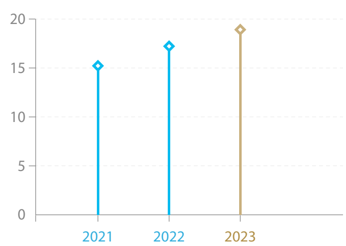
## STRATEGY OF PERSONAL FINANCE BUSINESS

The Group adheres to the "people-centred" philosophy, seizes the two historical opportunities of the wealth era and the digital era, implements the New Finance initiatives, presses ahead with the mega wealth management strategy, deepens digitalised operation, consolidates its position as the largest bank of retail credit, expands construction of consumer ecosystem, creates a brand image of "private banking leader", and promotes high-quality development of personal finance business.

A glimpse of the growth in personal customers




A glimpse of the growth of personal financial assets under management

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Focusing on its main task of high-quality development, the Bank comprehensively improved its "digitalised + professional + integrated" capabilities, launched the "New Retail 2.0" initiative, and promoted further upgrading of the personal customer operation system. It deepened the reform of the "tiered, sub-group and graded" customer service model, improved the service efficiency for all customers, pressed ahead with the mega wealth management strategy, continued to enhance its professional service capabilities, improved the professional operation of private banking, deepened the construction of ecological scenarios, continuously consolidated personal customer and account base, advanced the integration of assets and liabilities, solidified and enhanced the advantages of retail credit, and achieved high-quality development of retail business. It witnessed an improvement of brand value in terms of its retail business, and retained the three comprehensive retail banking awards, i.e., "Best Retail Bank in Asia Pacific", "Best Retail Bank in China", and "Best Mega-Retail Bank in China" by *The Asian Banker* in 2023.

### Customer Operation

The Bank focused on customer service, deepened its business philosophy of "customer-centric and creating value for customers", upgraded personal customer service management system with "tiered, sub-group and graded" as the core, expanded the coverage of services through digitalised operation, improved the service depth through specialised wealth management and integration of assets and liabilities, and enhanced the service efficiency for all customers. At the end of 2023, domestic personal deposits of the Bank amounted to RMB14.87 trillion, an increase of RMB1.79 trillion or 13.70% over 2022. The Bank continuously optimised customer structure, with the number of personal customers reaching 757 million and personal financial assets under management by the Bank exceeding RMB18.50 trillion.

The Bank comprehensively deepened its customer operation model. It further promoted the customer service through all channels. In terms of private banking customers, it focused on sound management of complex products, professional empowerment and deep dimensional transmission, and the integrated application of group-wide strengths, upgraded the team-based professional operation system of private banking customers, had a penetrating insight into the all-round needs of "coordination among individuals, families, enterprises and society", and provided comprehensive corporate and personal services featuring the integration of "Life + Business", such as comprehensive asset allocation, family wealth, and enterprise development, so as to speed up the creation of a leading private banking brand with expertise, trustworthiness and ultimate experience. In terms of high-value customers, it provided outlet-based exclusive operation services, and set up joint service units composed of personal account managers, wealth management advisors and heads of outlets to realise complementary capabilities and efficient collaboration, so as to achieve comprehensive integration of customer relationship services and professional wealth management services. In terms of high-potential customers, it explored an innovative path to serve hundreds of millions of public customers intensively and efficiently based on the operation logic of "people + digitalisation", and realised people-oriented ubiquitous services and one-stop comprehensive financial services. In terms of basic customers, it provided scenario-based direct operation services, giving full play to the advantages of scenario-based ecological connection, and ramped up the "digitalised + scenario-based" operation by capitalising on financial and non-financial scenarios, so as to build the customer ecology and the "binary star" platform into an effective platform foundation for user activation, scenario-based streaming, content marketing, and customer retention. In terms of the common attributes or common needs of customers in fields such as payroll services, merchants, pension business, county-level financial services, and cross-border transaction, it provided customers with "financial + non-financial" in-depth services.

The Bank continued to strengthen its customer operation capabilities. It focused on customer service to build a main banking partner where customers can be "accurately accessed, connected and retained". In terms of access, it obtained a data-driven comprehensive and accurate insight into customer needs to provide customers with more suitable products and services; in term of connection, it relied on online and offline, internal and external scenarios to achieve customer access and digital connection through all channels; in terms of retention, it focused on enhancing professional capabilities, building trust with customers through digitalised empowerment, and benefiting the public with its professional services.

The Bank roundly empowered the customer operation platform. It adhered to the concept of philosophy-as-process and process-as-tool, and focused on the main task of digitalised operation of "insight – matching – access – accompanying", built capability modules such as user centre, product centre, reward centre, and wealth management centre, and built an exclusive workbench for account managers to achieve one-stop service.

## Personal Credit Business

The Bank actively responded to the market dynamics and peer competition, stabilised the base of residential mortgages, and built the growth drivers of personal consumer loans and personal business loans. At the end of 2023, the Bank's domestic personal loans and advances amounted to RMB8.68 trillion, an increase of RMB439,286 million or 5.33% over 2022.

In respect of residential mortgages, the Bank actively implemented national policies and regulatory requirements to support residents' necessity and upgrading purchase demands, reduced the cost of residential housing financing, and secured sound asset quality. It implemented city-specific measures and actively carried out differentiated housing credit policies in terms of down payment ratio and loan interest rate. It steadily winded up the adjustment of interest rates on outstanding first-home housing loans, benefiting nearly 10 million customers. It adjusted credit policies in accordance with changes in the real estate market and demand structure, vigorously developed second-hand housing loan business, and increased supply of loans to key cities and counties. It strengthened business innovation, conducted research on residential mortgages for government-subsidised housing in advance, and explored to establish a financial service model commensurate with the new pattern of real estate development.

The Bank gave full play to the fundamental role of consumption in economic growth, steadily promoted the high-quality development of personal consumer loan business, and maintained its leading position in the market. It beefed up efforts in digitalised operation, and provided targeted services. It optimised its online and offline product and service system, upgraded process design, expanded service channels and scope of customer services, and continuously improved the quality and efficiency of personal consumer loan services. It sped up the development of innovative products. At the end of 2023, the balance of "Jianyidai" was RMB210,216 million, an increase of RMB158,706 million over 2022, effectively promoting the steady growth of personal consumer loans.

The Bank actively responded to the national strategy of expanding consumption, and topped the market in terms of credit card loan business. Leveraging the synergistic advantages of traffic operation on "CCB Lifestyle" platform and two channels of "outbound call + self-service", the Bank intensified its efforts in featured scenarios such as new energy vehicles and remodeling & renovation, and comprehensively promoted product innovation, scenario empowerment, data empowerment, differentiated customer management and refined channel operation, seeing a steady increase in the scale of credit card revolving credit and instalment loans. It adhered to the credit approval principle of taking customers' comprehensive repayment ability as the core, and improved its refined credit strategy, securing the sound asset quality.

Focusing on the real economy and agricultural production, the Bank continuously improved its exclusive credit service system for personal business. It covered more key customers such as small and micro businesses and enriched the product line of personal business loans. It intensified its research on key industries and market segments and optimised and promoted flagship products such as "unsecured quick loans for personal business" and "secured quick loans for personal business". It accelerated the expansion of agriculture-related personal business loans at the county level, and achieved rapid growth in "Yunong Loan", with a loan growth rate of more than 78%.

## Personal Payments

The Bank practised the concept of "payment for the people", deeply engaged in the construction of mass consumption ecology by serving both merchants and customers, consolidated the underlying support of accounts, and built a solid foundation for payment risk prevention and control.

**Feature article No. 8**

## Empowering high-quality development of retail credit with "All-in-one" platform for housing loan portfolios

The Bank actively explored new models of real estate development to adapt to the new situation in the real estate market with major changes in supply and demand. To better meet the housing financing needs of new urban residents and young people, it created a "digital comprehensive service platform for housing finance" and built an efficient channel featuring data sharing and process interoperability between commercial banks and provident fund centres, to provide comprehensive financial services to meet residents' housing financing needs.

In terms of information collection, the Bank significantly reduced the amount of system input, image data collection and manual verification through data interoperability; in terms of business collaboration, it optimised the portfolios of "housing provident fund loans + commercial residential mortgages" by turning them from sequential processing into parallel processing, achieving seamless operation; in terms of verification efficiency, it eased into intelligent applications such as online verification and automatic review of customer information. It improved the efficiency of processing of housing loan portfolios through "All-in-one" platform, so as to provide high-quality comprehensive housing financing services.

For merchants, the Bank deepened its "1+N" operation system for merchant businesses by enhancing synergy and aggregating internal resources. It achieved the transformation from traditional mode to digital tools empowerment and upgrading, provided merchants with "Card acquiring+" comprehensive financial services, and met the digital transformation needs of merchants. At the end of 2023, the Bank had 5.59 million card acquiring merchants, an increase of 580 thousand over 2022, and processed 15,511 million card acquiring transactions with a total amount of RMB4.04 trillion.

For customers, the Bank deeply engaged in the consumer market, carried out the "Hundreds of Cities and Districts" joint marketing campaign for debit card around four themes of tourism, catering, shopping and travel, and improved the full-life-cycle service capability of debit cards to optimise customer experience regarding consumption and card using. It continuously pressed ahead with the upgrading of account services under external scenarios, exported personal account services to external Internet platforms, and assisted in the construction of consumer ecosystem. It steadily extended the opening up of payment business, and innovatively rolled out "Tour Card", enabling overseas visitors to use mobile payment products domestically. At the end of 2023, the Bank had 1,424 million personal settlement accounts; the number of users of "Long Pay" products reached 229 million; and the number of debit cards issued reached 1,301 million. In 2023, the consumption transaction volume of debit cards reached RMB26.24 trillion, and the number of consumption transactions reached 60,015 million, an increase of 9.42% and 13.72% respectively over 2022.

The Bank enriched credit card product lines to meet the multi-level needs of customers. It launched new products such as Meituan Co-branded Credit Card, Tencent Super VIP Co-branded Credit Card and China Southern Power Grid Co-branded Card and upgraded the CCB-issued MasterCard to a product with green-themed rewards. It launched Yunongtong Credit Card, and developed the "Thousands-of-miles journey" version to provide better services for migrant workers. It deeply engaged in the "Long Card Special Offer 666" brand marketing campaign, launched promotional activities of 12 popular merchants such as JD, Meituan and Ctrip, strengthened scenario construction, enhancing marketing and promotion by relying on the "CCB Lifestyle" platform, and provided more abundant and convenient redemption of reward points. At the end of 2023, the cumulative number of credit cards issued by the Bank reached 132 million, with 105 million credit card customers. The transaction volume of credit cards totalled RMB2.93 trillion in 2023.

### Wealth Management

The Group adhered to the strategy of mega wealth management and focused on the four major strategic axes of "inclusiveness, intelligence, professionalism and dedication". It actively built a wealth management system that integrates operational mechanisms, service models, and systems and platforms, and deepened the coordination between parent bank and subsidiaries within the Group and the cooperation with high-quality institutions in the market. It established a supporting system for investment research covering full time sequence and all types of assets, built a selection mechanism focusing on high-quality institutions and products across the market, and implemented the professional transmission chain of "investment research – investment advisory – customer service". The Group created an organisational model of joint service units, strengthened the construction of an integrated service system of private banking featuring "individuals, families, enterprises and society", and improved the quality and efficiency of the "last mile" services in terms of wealth management. It achieved further improvement in business size, number of customers, market performance and brand image of wealth management.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

## Feature article No. 9 Creating "CCB Standard" in wealth management services

Since the inclusion of mega wealth management in the 14th Five-Year Plan strategy in 2021, the Group has witnessed three stages in the transformation of its wealth management strategy, i.e., "launch and kickoff – key areas breakthroughs – systematic advancement", during which it successfully developed an implementation plan based on the top-level blueprint of the wealth management strategy to support the high-quality development of retail business.

The wealth management operational mechanism performed in an orderly manner. The Wealth Management Investment Decision-making Committee and the Agency Services Committee effectively fulfill their responsibilities, while the investment research experts and the regional professional support team empowered the Bank, basically forming a supporting system for investment research covering full time sequence and all types of assets, enabling the selection of high-quality institutions and products across the market. The Group innovatively created joint service units and improved the quality and efficiency of professional services through the collaborative organisational model consisting of personal account managers, wealth management advisors, and heads of outlets. At present, it has built around 1,500 joint service units. It also established a team of private banking experts to speed up the business coverage of professional services such as private banking asset allocation, family wealth, pension financial planning, insurance planning and public welfare services.

The transformation of wealth management service model was transformed effectively. The Group optimised its professional tools, upgraded its service core, and ramped up marketing services and performance incentives. It formed an asset allocation model with "flexible money management, sound investment, return seeking, and insurance protection" as its core, and a four-step standard service process of "wealth planning – asset allocation – quality product selection – ongoing companionship". The Group continued to deepen its professional services for personal customers, and the number of wealth management customers at the end of 2023 increased by 27% over 2022.

The wealth management system platform provided strong supports. The Group deployed wealth management system tools in various aspects, such as investment research & advisory, customer service, content operation, and product trading. It strove to create an integrated professional workbench of investment research experts, wealth management advisors and account managers. Based on mobile banking, it deployed professional service tools such as wealth health check, wealth planning, and asset allocation, to improve customer services.

Looking ahead, the Group will unswervingly adhere to its strategy of mega wealth management, further promote business model innovation and professional talent training, and continue to provide high-quality professional wealth management services for all customers.

## Private Banking

The Bank pressed ahead with professional operation of private banking and created a brand image of "private banking leader". It implemented the digital, tiered and sub-group operation strategy of private banking customers, focused on meeting the needs of key customers, covering inclusive finance, pension, county-level financial services, business owners, and existing customer relations, and built an efficient service system. Based on its macro strategy analysis, it optimised the digital management system of private banking products and services, prudently selected cooperative institutions and product strategies, continuously enriched the customised high-quality private banking products, reinforced comprehensive, agile and proactive risk management of outstanding products, and maintained a track record of zero risk events in the private placement asset management products agency sales business in 2023. It expanded the service scope in fields such as family trust advisory business, insurance trust advisory services and family offices, staying ahead of its peers in terms of family wealth service capabilities. It strengthened the building of the core personnel of private banking business, and continuously enhanced its comprehensive and professional capabilities. At the end of 2023, the Bank had 248 private banking centres with over two thousand staff in private banking service lines; the private banking customers' assets under management by the Bank reached RMB2.52 trillion, an increase of 12.52% over 2022; the number of private banking customers reached 212.8 thousand, an increase of 9.86% over 2022; and the balance of assets under management of family trust advisory business was RMB106,464 million, a leading amount among its peers. The Bank was awarded the "China Private Banking Awards – Best Family Office of the Year" by *The Asia Money*, the "2023 Model Case of Family Trust Management Innovation" by *The Chinese Banker*, and the "2023 Jinzhen Award – Best Private Bank in mainland China – Brand Influence" by *Wealth*.

## Entrusted Housing Finance Business

The Bank continuously pressed ahead with the digitalisation of the housing fund management industry, improved the service efficiency of the housing provident fund, and supported people's residential needs in both housing rentals and purchases. It fulfilled its responsibilities in housing provident fund contribution services, and rolled out such services for those flexibly employed in pilot cities; it increased its support for the supply of housing provident fund loans, and optimised the process of portfolios of "housing provident fund loans + commercial housing mortgages"; it effectively supported the online processing of businesses related to housing provident fund, innovatively realised online direct rent payment by housing provident fund, and enabled cross-provincial processing of housing provident fund, further improving its customer service capabilities. At the end of 2023, the balance of housing fund deposits of the Bank was RMB1.40 trillion, and the balance of personal housing provident fund loans was RMB3.01 trillion, maintaining the leading market position.

## Q & A Q&A with Senior Management

Q: Would you please introduce CCB's initiatives and measures in the digital transformation of the retail banking business?

Mr. Li Yun, the executive vice president: At present, with more than 750 million personal customers, the Bank is faced with a huge customer base, highly scattered transactions and complex and diverse needs. As a result, relying solely on traditional outlets to serve such a large customer base will lead to limited service efficiency and service scope. The retail banking business can be naturally regarded as a foremost ground for "digital finance". In recent years, the Bank has proactively upheld the "people-centred" development philosophy, echoed the trend of the times, actively sought reform and transformation, expanded the coverage of services and improved service efficiency through digitalised operation, and reshaped the operation models of retail customers.

Overall, we implemented a "three-step" strategy. Firstly, we took the lead in realising a closed loop of services featuring "insight – matching – access – accompanying" in digitalised operation and established a top-down service architecture. Secondly, we integrated tiered customer management with digitalised operation, clarified the responsible parties of customer operation and service, and carried out direct operation for long-tail customers, exclusive operation for valuable customers, and team-based service for private banking customers. Thirdly, while we have formed a digitalised operation model of the retail banking business, our professional capabilities need to be continuously improved, we sped up the design of the wealth management architecture and the establishment of the three kinds of professional personnel for wealth management, including investment research experts, wealth management advisors and personal account managers, so as to unleash the new momentum in the digital empowerment of wealth management professional capabilities. In addition, we created a new model of direct operation for personal customers, promoted such model across the bank, focused on solving problems in serving ultra-large-scale customers, and capitalised on digital capabilities to benefit the general public with financial services. We also conducted forward-looking exploration from "digitalisation" to "intelligence", and rolled out "Your Personal AI Assistant", aiming to equip each account manager with an exclusive intelligent assistant, thus effectively empowering burden reduction for grass-roots institutions and improving customer service efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

# TREASURY AND ASSET MANAGEMENT BUSINESS

## STRATEGY OF CORPORATE FINANCE BUSINESS

Strategy of treasury and asset management business: The Group adheres to professional and prudent positioning, strengthens the building of buy-side investment research system and enhances risk compliance. It strengthens graded, tiered and categorised operation and services for financial institution customers, and enhances comprehensive customer service capabilities. It enhances full-life-cycle, all-round and comprehensive service capabilities of assets, promotes balanced development of quality, profitability and scale, and improves value creation and revenue contribution of treasury and asset management business.

The Group's asset management business reached

**RMB5.01 trillion**

The accumulated funds granted through the interbank cooperation platform was

**RMB9.04 trillion**

The asset size of financial market business exceeded

**RMB10 trillion**

Assets under custody was

**RMB20.89 trillion**

The Group promoted the steady development of treasury and asset management business by focusing on customer base, business expansion and value creation. It deepened the graded, tiered and categorised operations of financial institution customers, accentuated "direct operation and management of core customers by head office and collaborative services of important customers by head office and branches", and built an integrated process of customer demand collection, pain point diagnosis and analysis, and coordinated formulation of comprehensive service solutions, which has effectively enhanced the comprehensive value contribution. It strongly supported the implementation of proactive fiscal policy and the financing needs of the real economy, strove to improve the service quality and efficiency of financial market business, and underwrote more than RMB2 trillion of government bonds throughout the year. It enhanced the collaboration between the Bank and subsidiaries, created a new pattern for the transformation and development of asset management business at the group level, and achieved the "two-wheel drive" of mega wealth management and mega asset management. The Group took the forward-looking blue ocean strategy and tapped into pension finance, released the unified pension financial brand of "Jianyangan", and pressed ahead with the "four in one" construction of the "1314" (meaning "lifelong" in China) pension financial service system, enabling solider foundation of pension finance, clearer positioning of pension industry finance, more customer-oriented offering of pension service finance, and smoother circulation of pension finance ecosystem. It built a new ecosystem of interbank cooperation, upgraded its interbank cooperation platform, and continuously enriched the ecological scenarios, with accumulated funds granted amounting to RMB9.04 trillion. It brought new driving forces for the development of custody business, and continuously promoted the brand building of "Smart Custody", with assets under custody reaching RMB20.89 trillion.

## Financial Market Business

The Bank actively supported the implementation of national strategies, took effective actions to serve the development of the real economy, met the diversified trading needs of customers, and assisted in the promotion of RMB internationalisation and opening-up of domestic capital markets.

### Money Market Business

The Bank utilised a combination of money market tools in a coordinated manner to ensure the security of liquidity across the bank. As a leading state-owned bank, the Bank continued to play its role of a market stabiliser, providing liquidity support to small and medium-sized financial institutions. In 2023, the transaction volume in the RMB money market exceeded RMB190 trillion, the balance of NCDs issued by the Bank reached nearly RMB1 trillion, and the Bank ranked first in the domestic market in terms of the transaction volume of foreign currency lending and foreign currency repurchase.

### Debt Securities Business

The Bank adhered to the operating principle of "safe and sound operation, value-based investment" and maintained a sound balance of security, liquidity and profitability. It actively grasped the trend of interest rates, supported the financing needs of the real economy and the implementation of major national strategies, and actively participated in the underwriting and investment of trillions of additionally issued PRC treasury bonds and special refinancing local government bonds, with the underwriting volume of government bonds exceeding RMB2 trillion. It became one of the first Northbound Swap Connect Dealers and one of the first China Foreign Exchange Trade System ("CFETS") Bond Basket Trading Dealers.

### Trading Business

The Bank continued to improve its trading capacity, strengthened refined management, and consolidated the first line of defence against risks. It vigorously advocated the concept of "risk neutrality" and provided corporate customers with extensive and comprehensive hedging services, with nearly 100 thousand active customers of trading business, an increase of 10.03% over 2022.

### Precious Metals and Commodities Business

The Bank's Precious Metal and Commodity Business Department was officially opened in Shanghai in June 2023. As the first bank in China to specialise in commodity businesses, the Bank actively participated in the building of precious metals and commodities market, supported the development of industrial chains, and assisted customers in using commodity derivatives to enhance their risk management capabilities. In 2023, it secured agricultural products worth RMB6,761 million accumulatively, covering 27 domestic branches, involving 687 farmers and agricultural enterprises. It was committed to orderly supply of precious metals leasing business. At the end of 2023, domestic precious metal assets amounted to RMB188,867 million.

## Asset Management Business

The Group strove to enhance its capabilities of investment research, risk control, and science and technology to serve the wealth management needs of its customers, assisted in the direct financing of the real economy, and connected the value chain of wealth management and asset management. It consolidated its lines of defence for risk management, strengthened risk prevention and mitigation for key institutions, fields, links and customers, optimised asset allocation structure and promoted high-quality business development. Its subsidiaries firmly refocused on original business priorities, strengthened the foundation of asset management business, and enhanced professional capabilities. At the end of 2023, the Group's asset management business reached RMB5.01 trillion, with CCB Wealth Management, CCB Principal Asset Management, CCB Trust, CCB Pension and the asset management subsidiary under CCB Life contributing RMB1.50 trillion, RMB1.28 trillion, RMB1.17 trillion, RMB0.56 trillion and RMB0.34 trillion, respectively.

At the end of 2023, the Group's WMPs amounted to RMB1.58 trillion. Specifically, those managed by CCB Wealth Management amounted to RMB1.50 trillion and those managed by the Bank were RMB79,443 million; the Group's net-value WMPs amounted to RMB1.50 trillion, all of which were managed by CCB Wealth Management, accounting for 94.97% of the total. In 2023, CCB Wealth Management raised RMB2.89 trillion by issuing WMPs and redeemed RMB3.30 trillion at maturity. At the end of 2023, with regard to the WMPs managed by CCB Wealth Management, the balance of closed-end products was RMB302,287 million and the balance of open-end products was RMB1.20 trillion. The balance of WMPs to corporate customers was RMB248,780 million, accounting for 16.60%, and the balance of WMPs to personal customers was RMB1.25 trillion, accounting for 83.40%. In 2023, the Bank raised RMB287,015 million by issuing WMPs and redeemed RMB311,004 million at maturity. At the end of 2023, the Bank's WMPs were all open-end products, of which the balance of WMPs to corporate customers was RMB22,284 million, accounting for 28.05%, and the balance of WMPs to personal customers was RMB57,159 million, accounting for 71.95%.

Information on issuance, maturity and balance of the Group's WMPs during the reporting period is as follows.

| (In millions of RMB, except batches) | As at 31 December 2022 | | 2023 WMPs issued | | 2023 WMPs matured | | 2023 As at 31 December 2023 | |
|---|---|---|---|---|---|---|---|---|
| | Batches | Amount | Batches | Amount | Batches | Amount | Batches | Amount |
| CCB Wealth Management | 1,246 | 1,911,028 | 669 | 2,892,168 | 815 | 3,304,075 | 1,100 | 1,499,121 |
| The Bank | 2 | 103,432 | – | 287,015 | – | 311,004 | 2 | 79,443 |
| Total | 1,248 | 2,014,460 | 669 | 3,179,183 | 815 | 3,615,079 | 1,102 | 1,578,564 |

The assets in which the Group's WMPs invested directly and indirectly as at the dates indicated are as follows.

| | As at 31 December 2023 | | | | | | As at 31 December 2022 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | CCB Wealth Management | | The Bank | | The Group | | CCB Wealth Management | | The Bank | | The Group | |
| (In millions of RMB, except percentages) | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| Cash, deposits and interbank negotiable certificates of deposit | 907,809 | 58.73 | 31,462 | 32.01 | 939,271 | 57.14 | 849,880 | 41.64 | 31,326 | 25.48 | 881,206 | 40.72 |
| Bonds | 478,169 | 30.94 | 7,942 | 8.08 | 486,111 | 29.57 | 922,476 | 45.20 | 22,556 | 18.35 | 945,032 | 43.67 |
| Non-standardised debt assets | 23,643 | 1.53 | 11,799 | 12.01 | 35,442 | 2.16 | 85,251 | 4.18 | 18,060 | 14.69 | 103,311 | 4.78 |
| Equity investments | 11,714 | 0.76 | 43,586 | 44.35 | 55,300 | 3.36 | 20,434 | 1.00 | 47,460 | 38.60 | 67,894 | 3.14 |
| Other assets[1] | 124,247 | 8.04 | 3,492 | 3.55 | 127,739 | 7.77 | 162,946 | 7.98 | 3,547 | 2.88 | 166,493 | 7.69 |
| Total | 1,545,582 | 100.00 | 98,281 | 100.00 | 1,643,863 | 100.00 | 2,040,987 | 100.00 | 122,949 | 100.00 | 2,163,936 | 100.00 |

1. Including mutual funds, client-driven overseas wealth management investments (QDII), derivatives, placements with banks and non-bank financial institutions and bonds held under resale agreements.

## Pension Financial Services

The Group further promoted the establishment of pension financial service system with its own characteristics, released the unified pension financial brand of "Jianyangan". It continuously enriched pension financial products and services, and built the market image of "professional bank for pension finance", achieving initial results on the "four in one" coordinated development of pension finance, pension industry finance, pension service finance and pension finance ecosystem. The Group enhanced solider foundation of pension finance. In terms of Pillar 1, social security accounts grew steadily. In terms of Pillar 2, the Group established a parent-subsidiary collaborative marketing system and was granted occupational pension investment and operation qualifications in all provinces domestically, seeing a steady increase in the scale of pension custody. In terms of Pillar 3, the Group opened more than nine million personal pension accounts accumulatively and sped up the construction of a full-category product system. The Group positioned itself more clearly in the pension industry finance, witnessing a rapid growth in core area loans, number of credit customers, and inclusive special pension relending facility. The Group offered more customer-oriented pension service finance and strengthened investment education and publicity and cultivation of customer base. The Group smoothed the circulation of pension finance ecosystem and continued to empower business development through system construction.

**Case story No. 6**

### Pension Finance: Pursuing blue-ocean growth by seizing enterprise annuity coverage expansion opportunities

The Group took enterprise annuity as the pivot to serve the pension needs of contingent employees of state-owned enterprises and institutions and increased the market share of annuity business. As the first enterprise annuity expansion project jointly implemented by the Group's parent bank and subsidiaries, the entrusted annuity project for contingent employees of a medical school in Shanghai university enabled full coverage of the enterprise annuity for these employee. By the end of 2023, the Group had cooperated with multiple entities of the university covering its headquarter and five subordinate entities, serving more than two thousand employees with an entrusting annuity scale of RMB40 million, forming a benchmark effect among the universities in Shanghai. In addition to providing annuity services for contingent employees in the headquarter of the university, the Group continued to broaden the scope of cooperation, carried out integrated marketing, and successively signed contracts with a number of its subordinate entities. Relying on the pension industry alliance, the Group customised specialised pension services for the retirement centre of the university, so as to realise the coordinated development of enterprise annuity business and pension industry.

**Feature article No. 10**

## Effectively advancing "Pension Finance" to support affordable and quality elderly life

The Group fully implemented the national strategy to address population aging, undertook its mission as a large state-owned commercial bank, incorporated pension finance into the Bank's strategic focus of the "14th Five-Year Plan", and promoted enterprise-level comprehensive pension financial services.

The Group took the initiative to help build the Pillar 3 of the pension insurance system. It was one of the first among its peers to launch the personal pension business, providing full-life-cycle account services from opening to closing of personal pension accounts and full-chain capital functions such as payment and recharge, investment transactions, and benefit payment. It actively introduced multi-level and multi-category personal pension investment products, fully covering four categories of investments including savings, funds, wealth management and insurance.

The Group prioritised professionalism and exerted its efforts to achieve preservation and appreciation of the customers' pension funds. It focused on both accumulation period and usage period of pension funds and connected the wealth management chain of "pension investment education – pension planning – asset allocation – quality product selection – long-term companionship". It accurately measured customers' pension fund needs, helped customers develop pension plans, provided asset allocation services accordingly, and made every effort to provide after-sales support. It strived to build an alliance for pension investment education, carried out a thematic activity of "Pension China Tour" covering ten cities, and set up a column of "Classroom for the Elderly" on platforms such as "CCB Learning" to increase the output of premium content.

The Group adhered to the concept of openness and integration to create a multi-channel ubiquitous pension ecosystem. On the online side, it built featured sections for pension services. Specifically, the "Pension and Healthcare" section of "CCB Lifestyle" covers three modules, i.e., elderly nursing home, pension services, and healthcare & retirement; the featured "Pension" section of the mobile banking app enables customers to calculate the pension fund gaps and tax savings in their personal pension accounts, so as to plan their retirement life in advance. On the offline side, it continued to improve its elderly-friendly services, optimised equipment and facilities, improved digital tools, and provided elderly customers with a "caring + intelligent" service experience.

## Financial Institutional Business

The Group strived to develop the operation characteristics of financial institutional business, provided comprehensive financial services for financial institution customers, and consolidated and enhanced the comprehensive value contribution of such customers. It implemented graded, tiered and categorised management of financial institution customers, set up account manager groups, and developed and implemented differentiated policies to serve key customers. It deepened industry and customer research, promoted the integrated process of customer demand collection, pain point diagnosis and analysis, and collaborative formulation of comprehensive service solutions, and integrated the Group's resources to meet the diverse needs of customers. It revitalised the existing bill assets, accelerated the turnover of bills, and achieved rapid growth in the trading income of bills. In 2023, the transaction volume of bills held under resale agreements totalled RMB8.82 trillion, steadily ranking at the forefront among its peers. It launched the "CCB e-Discounting" for corporate customers with bill financing needs, providing full-process electronic bank acceptance bill discounting services via online banking. It aggregated information and resources within the Group, created a comprehensive service platform with industry influence for financial institution customers, and built a new ecosystem of interbank cooperation. By the end of 2023, the platform had attracted more than 960 thousand visits, 1,946 registered users and granted RMB9.04 trillion on a cumulative basis. The Bank's total number of securities customers and the total amount of transaction settlement funds of third-party security custody services maintained the leading position among peers, with the total number of securities customers of third-party security custody services reaching 88.48 million. At the end of 2023, the Bank's amounts due to other domestic financial institutions (including insurance deposits) were RMB2.26 trillion, a decrease of RMB200,199 million from 2022. The Bank's assets placed with other domestic financial institutions were RMB512,981 million, an increase of RMB95,477 million over 2022.

## Asset Custody Services

The Bank was committed to building itself into a leading custodian with strong customer base, advanced systems, leading operations and effective risk control, and the comprehensive contribution of the custody business continued to increase. The Bank's assets under custody exceeded RMB20 trillion for the first time in 2023, seeing an ascending rank among its peers and entering a new stage of business development. The Bank made breakthroughs in custody cooperation in key areas and was designated as a custodian bank for annuity plans of Sinochem and China Rare Earth; it was included in the custodian white list for China Reinsurance Group and China Post Insurance; it became the custodian for Guoxin Mega State-owned Enterprise ETF Fund covering all the three Guoxin Mega State-owned Enterprises indices (sci-tech-lead index, modern energy index and shareholder return index); it also became the custodian for CIBM Direct investment of the National Bank of the Kyrgyz Republic ("NBKR"). It boasted robust operation guarantee, and established the Beijing Custody Operation Centre, becoming the only custodian bank in the industry with three operation centres (Beijing, Hefei and Shanghai). It continued to promote the brand building of "Smart Custody", internally optimised the "Smart Custody" system with "smart business, smart operation, smart risk control, and smart data" as its core, and externally promoted the construction of the "Smart Custody" platform, contributing to "Digital Finance". The Bank was awarded the "Best Custody Bank (State-owned Bank) for Public Funds in 25 Years" and "Custody Innovation Award" by *China Fund*. At the end of 2023, the Bank's assets under custody amounted to RMB20.89 trillion, an increase of RMB1.49 trillion or 7.71% over 2022.

**Q & A** Q&A with Senior Management

Q: What specific measures has CCB taken to promote pension finance?

Mr. Ji Zhihong, the executive vice president: The Group seized the historic opportunity for pension finance business in 2023, stayed abreast of relevant policies and arrangements in pension finance, and rode the tide to strengthen the forward-looking, strategic, and systematic layout for high-quality development. Firstly, it enhanced the strategic positioning of pension finance within the Group, promoted the unified brand building of the Group's pension finance business, pressed ahead with the construction of the first batch of outlets featured with pension finance, and built the image of a professional bank for pension finance with concerted efforts. Secondly, the Group seized policy opportunities to enhance its professional capability. It consolidated the foundation of Pillar 1 business development such as social security card, improved the quality and scale of Pillar 2 annuity business, and seized the opportunity for Pillar 3 personal pension policies to comprehensively promote account expansion and product sales. It improved the pension financial product family, increased its support for the pension industry, and strengthened the personnel training through the interaction across corporate finance, personal finance, and treasury and asset management business. Thirdly, the Group gave full play to its own advantages and developed CCB's characteristics. It provided featured services such as pension consultation and pension planning and carried out regional characteristic research and service exploration. Based on customer demands, it coordinated with its peers, parent bank, and subsidiaries to promote the construction of a featured platform for pension finance and steadily build a pension finance ecosystem.

# OVERSEAS COMMERCIAL BANKING BUSINESS

The Group steadily promoted network building of overseas entities. It had overseas commercial banking institutions (including 20 tier-1 branches and eight subsidiaries) in 30 countries and regions across six continents. In 2023, overseas institutions emphasised the balance between development and security, achieved overall stable improvement of main operating indicators and a steady growth of assets, with increasing value contribution from institutions operated in member countries of the Regional Comprehensive Economic Partnership (RCEP); operating efficiency of overseas institutions continuously increased, with a net profit of RMB7,742 million; risk indicators maintained stable and controllable on the whole with continuously stringent compliance management. The Group gradually enhanced its ability to serve "going global" customers, accelerated the expansion of asset-light and capital-light businesses, achieved remarkable results in RMB internationalisation, and advanced in-depth development of New Finance practices such as green transformation and cross-border matchmaking.

◆ The pictures show the facade of the office building of CCB Europe's Amsterdam Branch.

## CCB Asia

China Construction Bank (Asia) Corporation Limited is a licensed bank registered in Hong Kong with an issued and fully paid capital of HK$6,511 million and RMB17.6 billion. CCB Asia is the Group's full-featured integrated commercial banking platform in Hong Kong, with its core base in the Guangdong-Hong Kong-Macao Greater Bay Area, focusing on expanding the businesses of the Chinese mainland and members of RCEP, and a wide reach that extends to some countries and regions in the Middle East and Central Asia. CCB Asia has traditional advantages in providing professional financial services such as overseas syndicated loans and structured finance and has rich experience in corporate finance business, including international settlement, trade finance, financial market trading, financial advisory and trust agency services. Its targeted customers include local Blue-Chip and large Red-Chip companies, large Chinese conglomerates, multinational corporations and premium local customers. CCB Asia is also the Group's service platform for retail and small and medium-sized enterprises in Hong Kong, and has 31 outlets. At the end of 2023, total assets of CCB Asia amounted to RMB409,006 million, and shareholders' equity was RMB70,527 million. Net profit in 2023 was RMB3,615 million.

## CCB London

China Construction Bank (London) Limited, established in the UK in 2009, is a wholly-owned subsidiary of the Bank, with a registered capital of US$200 million and RMB1.5 billion. In order to better respond to changes in the external market environment and meet the needs of internal operation and management, the Group gradually promoted integration of CCB London and London Branch of the Bank. The liquidation of CCB London was carried out in an orderly manner. At the end of 2023, total assets of CCB London amounted to RMB3,766 million, and shareholders' equity was RMB3,766 million. Net profit in 2023 was RMB0 million.

## CCB Russia

China Construction Bank (Russia) Limited, established in Russia in 2013, is a wholly-owned subsidiary of the Bank, with a registered capital of RUB4.2 billion. CCB Russia holds a comprehensive banking license issued by the Central Bank of Russia. It is mainly engaged in corporate deposits and loans, international settlement and trade finance. At the end of 2023, total assets of CCB Russia amounted to RMB4,893 million, and shareholders' equity was RMB656 million. Net profit in 2023 was RMB80 million.

## CCB Europe

China Construction Bank (Europe) S.A., established in Luxembourg in 2013, is a wholly-owned subsidiary of the Bank, with a registered capital of EUR550 million. CCB Europe has established branches in Paris, Amsterdam, Barcelona, Milan, Warsaw and Hungary. CCB Europe mainly provides services to large and medium-sized enterprises in Europe as well as European multinational enterprises in China. It is mainly engaged in corporate deposits and loans, international settlement, trade finance, and cross-border financial market trading. At the end of 2023, total assets of CCB Europe amounted to RMB28,666 million, and shareholders' equity was RMB4,030 million. Net profit in 2023 was RMB68 million.

## CCB New Zealand

China Construction Bank (New Zealand) Limited, established in New Zealand in 2014, is a wholly-owned subsidiary of the Bank, with a registered capital of NZD199 million. CCB New Zealand holds a wholesale and retail business license, and offers all-round and high-quality financial services, including corporate loans, trade finance, RMB clearing and cross-border financial market trading. At the end of 2023, total assets of CCB New Zealand amounted to RMB11,347 million, and shareholders' equity was RMB1,407 million. Net profit in 2023 was RMB113 million.

## CCB Brasil

China Construction Bank (Brasil) Banco Múltiplo S/A is a wholly-owned subsidiary acquired by the Bank in Brazil in 2014, with a registered capital of BRL2,957 million. The name of its predecessor, Banco Industrial e Comercial S.A., was changed to the present one in 2015. At the end of 2023, total assets of CCB Brasil amounted to RMB29,278 million, and shareholders' equity was RMB1,475 million. Net loss in 2023 was RMB9 million.


◆ The picture shows the cultural exchange and team building activity organized by CCB Europe's Hungary Branch.

## CCB Malaysia

China Construction Bank (Malaysia) Berhad, established in Malaysia in 2016, is a wholly-owned subsidiary of the Bank, with a registered capital of MYR822.6 million. As a licensed commercial bank, CCB Malaysia provides various financial services, including global credit granting for large local infrastructure projects in Malaysia and project finance, trade finance, clearing in multiple currencies and cross-border financial market trading for enterprises engaging in Sino-Malaysian bilateral trade. At the end of 2023, total assets of CCB Malaysia amounted to RMB11,775 million, and shareholders' equity was RMB1,479 million. Net profit in 2023 was RMB46 million.

## CCB Indonesia

PT Bank China Construction Bank Indonesia Tbk is a fully licensed commercial bank listed on the Indonesia Stock Exchange. CCB Indonesia has 71 branches and sub-branches in Indonesia. The Bank completed the acquisition of 60% equity in PT Bank Windu Kentjana International Tbk in 2016 and renamed it PT Bank China Construction Bank Indonesia Tbk in 2017. CCB Indonesia has a registered capital of IDR3.79 trillion. CCB Indonesia is committed to serving the bilateral investment and trade between China and Indonesia, and provides high-quality services to local enterprises in Indonesia. Its business priorities include corporate business, small and medium-sized enterprise business, trade finance and infrastructure finance. At the end of 2023, total assets of CCB Indonesia amounted to RMB12,860 million, and shareholders' equity was RMB3,020 million. Net profit in 2023 was RMB112 million.

- The picture shows the cultural exchange activity with the theme of "Celebrating the Chinese New Year and Drawing Concentric Circles Together" carried out in CCB Indonesia.

# INTEGRATED OPERATION SUBSIDIARIES

The Group has 17 integrated operation subsidiaries, including CCB Financial Leasing, CCB Property & Casualty, CCB Consulting, CCB Investment, CCB Private Equity, CCB International, Sino-German Bausparkasse, CCB Life, CCB Housing, CCB Consumer Finance, CCB Principal Asset Management, CCB Trust, CCB Futures, CCB Pension, CCB Wealth Management, CCB Housing Rental and CCB FinTech. In 2023, integrated operation subsidiaries focused on their main responsibilities and primary businesses, optimised supply of products and services, and achieved steady business growth and robust development on the whole. At the end of 2023, total assets of integrated operation subsidiaries amounted to RMB816,515 million. Net profit reached RMB7,622 million in 2023.

## Corporate Finance Business Segment

### CCB Financial Leasing

CCB Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2007 with a registered capital of RMB11 billion. It is mainly engaged in finance leasing, transfer and purchase of finance lease assets, and fixed-income securities investment.

Highlighting its advantages of asset financing, CCB Financial Leasing focused on its main responsibilities and primary businesses, actively explored business innovation, and effectively promoted the transformation of the company to continuously improve the quality and efficiency of serving the real economy. At the end of 2023, total assets of CCB Financial Leasing were RMB146,118 million, and shareholders' equity was RMB24,762 million. Net profit in 2023 was RMB1,646 million.

### CCB Property & Casualty

CCB Property & Casualty Insurance Co., Ltd. was established in 2016 with a registered capital of RMB1 billion. CCB Life, Ningxia Communications Investment Group Co., Ltd. and Yinchuan Tonglian Capital Investment Operation Co., Ltd. hold 90.2%, 4.9% and 4.9% of its shares, respectively. It is mainly engaged in motor vehicle insurance, insurance for business and household property, construction and engineering, liability insurance, hull and cargo insurance, short-term health and accidental injury insurance, and reinsurance of the above-mentioned offerings.

CCB Property & Casualty witnessed steady business development. Under the new financial instruments standard and new insurance contract standard, at the end of 2023, total assets of CCB Property & Casualty were RMB1,105 million, and shareholders' equity was RMB449 million. Net loss in 2023 was RMB10 million.

### CCB Consulting

CCB Engineering Consulting Co., Ltd.is a wholly-owned subsidiary acquired by CCB International Capital Management (Tianjin) Co., Ltd. in 2016, with a registered capital of RMB51 million. The name of its predecessor, CCB Cost Consulting Co., Ltd, was changed to the present one in 2018. CCB International Capital Management (Tianjin) Co., Ltd. holds 100% of its shares. CCB International (China) Co., Ltd, a wholly-owned subsidiary of CCB International, holds 100% shares in CCB International Capital Management (Tianjin) Co., Ltd. CCB Consulting is mainly engaged in cost consulting, whole-process engineering consulting, project management, investment consulting, and bidding agency.

On top of further sharpening traditional advantages of cost consulting, CCB Consulting adhered to the concept of digitalised operation, strived to build core competitiveness of "financial consulting + engineering consulting", continuously expanded product families and optimised offerings. At the end of 2023, total assets of CCB Consulting were RMB1,491 million, and shareholders' equity was RMB389 million. Net profit in 2023 was RMB106 million.

### CCB Investment

CCB Financial Asset Investment Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2017 with a registered capital of RMB27 billion. It is mainly engaged in debt-for-equity swaps and relevant supporting businesses.

CCB Investment adopted a market-oriented approach, and proactively explored business innovation. It gradually stepped-up investments in strategic emerging industries to promote the capability to better serve the real economy, while it continued to help reduce leverage, prevent risks and promote reform in basic industries related to national economy and people's livelihood. By the end of 2023, it realised a total contractual amount of RMB1,012,172 million in terms of framework agreements, and an actual investment amount of RMB456,617 million. At the end of 2023, total assets of CCB Investment were RMB128,899 million, and shareholders' equity was RMB39,514 million. Net profit in 2023 was RMB4,089 million.

### CCB Private Equity

CCB Private Equity Investment Management Co., Ltd. was established in 2019 with a registered capital of RMB100 million. CCB Life Asset Management Co., Ltd. holds 100% of its shares. CCB Life and CCB International (China) Co., Ltd. (a wholly-owned subsidiary of CCB International) hold 80.1% and 19.9% shares in CCB Life Asset Management Co., Ltd., respectively. CCB Private Equity is mainly engaged in private equity investment and management of national strategic emerging industry development funds and other private equity funds.

CCB Private Equity gave full play to its professional edge and steadily pressed ahead with investment business. At the end of 2023, assets managed by CCB Private Equity reached RMB15,664 million, total assets of CCB Private Equity amounted to RMB154 million, and shareholders' equity was RMB54 million. Net profit in 2023 was RMB8 million.

### CCB International

CCB International (Holdings) Limited, the Bank's wholly-owned subsidiary in Hong Kong, was established in 2004 with a registered capital of US$601 million. It offers, through its subsidiaries, investment banking related services, including sponsoring and underwriting of public offerings, corporate merger and acquisition and restructuring, direct investment, asset management, securities brokerage and market research.

CCB International gave full play to its advantages in cross-border financial market services, focused on financing demands of high-quality enterprises in key areas, strengthened layout in biomedicine, aerospace and new energy industries, improved its comprehensive service capabilities in initial public offering (IPO) and bond issuance, and actively promoted RMB internationalisation. At the end of 2023, total assets of CCB International were RMB79,762 million, and shareholders' equity was RMB13,750 million. Net profit in 2023 was RMB14 million.

## Personal Finance Business Segment

### Sino-German Bausparkasse

Sino-German Bausparkasse Co., Ltd. was established in 2004 with a registered capital of RMB2 billion. The Bank and Bausparkasse Schwaebisch Hall AG hold 75.10% and 24.90% of its shares, respectively. As a specialised commercial bank committed to serving the housing finance sector, Sino-German Bausparkasse is engaged in housing savings deposits and loans, residential mortgages, and real estate development loans for government-subsidised housing supported by state policies.

Sino-German Bausparkasse achieved steady business development, and the sales of housing savings products amounted to RMB52,388 million in 2023. At the end of 2023, total assets of Sino-German Bausparkasse were RMB37,706 million, and shareholders' equity was RMB3,057 million. Net profit in 2023 was RMB81 million.

### CCB Life

CCB Life Insurance Co., Ltd. is a life insurance subsidiary invested and controlled by the Bank in 2011 with a registered capital of RMB7.12 billion. The Bank, KGI Life Insurance CO., ltd., the National Council for Social Security Fund, Shanghai Jin Jiang International Investment and Management Company Limited, Shanghai China-Sunlight Investment Co., Ltd., and China Jianyin Investment Limited hold 51%, 19.9%, 16.14%, 4.9%, 4.85% and 3.21% of its shares, respectively. It is mainly engaged in personal insurance such as life, health, accidental injury insurance and reinsurance of the above-mentioned offerings.

CCB Life steadily pressed ahead with business transformation, and its business structure continued to improve. Under the new financial instruments standard and new insurance contract standard, at the end of 2023, total assets of CCB Life were RMB295,673 million, and shareholders' equity was RMB6,765 million. Net loss in 2023 was RMB2,394 million.

### CCB Housing

CCB Housing Services Co., Ltd. was established in 2018 with a registered capital of RMB1,196 million. CCB Dingteng (Shanghai) Investment Management Co., Ltd. and Shanghai Aijian Trust Co., Ltd. hold 75.25% and 24.75% of its shares, respectively. Specifically, CCB International Innovative Investment Limited, a wholly-owned subsidiary established in Hong Kong by CCB International, holds 100% shares in CCB Dingteng (Shanghai) Investment Management Co., Ltd. CCB Housing is mainly engaged in housing rental business.

CCB Housing adhered to the concept of serving the people's livelihood, gave full play to its professional edges of housing rental, and solved people's housing problems through the "CCB Home" platform and offline housing rental community operation. At the end of 2023, total assets of CCB Housing were RMB13,464 million, and shareholders' equity was RMB832 million. Net profit in 2023 was RMB10 million.

### CCB Consumer Finance

CCB Consumer Finance Co., Ltd. was established in 2023 with a registered capital of RMB7,200 million. The Bank, Beijing State-owned Assets Management Co., Ltd. and Wangfujing Group Co., Ltd. hold 83.33%, 11.11% and 5.56% of its shares, respectively. CCB Consumer Finance is mainly engaged in personal petty consumer loans.

CCB Consumer Finance focused on consumer demand and emerging forms of consumption, continued to improve models for customer acquisition and risk control, practised the concept of inclusive finance, and comprehensively consolidated the foundation to ensure a smooth start of business. At the end of 2023, total assets of CCB Consumer Finance were RMB7,308 million, and shareholders' equity was RMB7,135 million. Net loss in 2023 was RMB65 million.

## Treasury and Asset Management Business Segment

### CCB Principal Asset Management

CCB Principal Asset Management Co., Ltd. was established in 2005 with a registered capital of RMB200 million. The Bank, Principal Financial Services, Inc. and China Huadian Capital Holdings Company Limited hold 65%, 25% and 10% of its shares, respectively. It is engaged in the raising and selling of funds, and asset management.

CCB Principal Asset Management continued to optimise the quality and efficiency of customer services and improve its investment performance. In 2023, it won ten authoritative awards issued by *China Securities Journal, Shanghai Securities News* and *Securities Times*. At the end of 2023, assets managed by CCB Principal Asset Management reached RMB1.28 trillion, total assets of CCB Principal Asset Management amounted to RMB10,625 million, and shareholders' equity was RMB9,248 million. Net profit in 2023 was RMB883 million.

### CCB Trust

CCB Trust Co., Ltd. is a trust subsidiary invested and controlled by the Bank in 2009 with a registered capital of RMB10.5 billion. The Bank and Hefei Xingtai Financial Holding (Group) Co., Ltd. hold 67% and 33% of its shares, respectively. It is mainly engaged in trust business, investment banking and proprietary business.

CCB Trust witnessed steady development of each business segment. At the end of 2023, total assets managed by CCB Trust were RMB1.17 trillion, and its wealth management size remained over RMB100 billion. CCB Trust ranked first in terms of both cumulative issuance size and legacy size of credit asset securitisation. It won awards issued by multiple lists including *The Asian Banker, Shanghai Securities News*, the CVAwards, and the Venture50. CCB (Beijing) Investment Fund Management Co., Ltd., a wholly-owned subsidiary of CCB Trust, was granted the first batch of pilot qualifications for real estate private fund managers and launched the industry's first real estate private fund. At the end of 2023, total assets of CCB Trusts were RMB43,886 million, and shareholders' equity was RMB28,411 million. Net profit in 2023 was RMB1,910 million.

### CCB Futures

CCB Futures Co., Ltd. is a futures subsidiary invested and controlled by the Bank in 2014 with a registered capital of RMB936 million. CCB Trust and Shanghai Liangyou (Group) Co., Ltd. hold 80% and 20% of its shares, respectively. It is mainly engaged in commodity futures brokerage, financial futures brokerage, asset management and futures investment advisory business. CCB Trading Company Limited, a wholly-owned subsidiary of CCB Futures, is engaged in pilot risk management operations approved by the CSRC, such as warehouse receipt service, basis trading, pricing service, and general trade business.

CCB Futures gave full play to its professional strength, enhanced its ability to serve the real economy, and maintained steady improvement in all business lines. At the end of 2023, total assets of CCB Futures were RMB10,809 million, and shareholders' equity was RMB1,242 million. Net profit in 2023 was RMB38 million.

### CCB Pension

CCB Pension Management Co., Ltd. was established in 2015 with a registered capital of RMB2.3 billion. The Bank, Principal Financial Services Inc. and the National Council for Social Security Fund hold 70%, 17.647% and 12.353% of its shares, respectively. It is mainly engaged in investment and management of national social security funds, businesses related to management of enterprise annuity funds, entrusted management of pension funds, and pension advisory service for the above-mentioned asset management activities.

CCB Pension continuously enhanced investment management, customer services, and risk and internal control management, and accelerated digital transformation. At the end of 2023, assets managed by CCB Pension reached RMB563,978 million, total assets of CCB Pension amounted to RMB4,052 million, and shareholders' equity was RMB3,223 million. Net profit in 2023 was RMB135 million.

### CCB Wealth Management

CCB Wealth Management Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2019, with a registered capital of RMB15 billion. It is mainly engaged in the offering of WMPs, investment and management services of entrusted properties, and wealth management advisory and consulting services to customers. In 2021, CCB Wealth Management, BlackRock and Temasek jointly established BlackRock CCB Wealth Management Co., Ltd. with a registered capital of RMB1 billion. BlackRock, CCB Wealth Management and Temasek hold 50.1%, 40% and 9.9% of its shares, respectively, further enriching the supply of WMPs in the financial market. In 2022, CCB Wealth Management invested RMB1 billion in GUOMIN Pension Insurance Co., Ltd., and held 8.97% of its shares, further supporting the development of pension business.

CCB Wealth Management actively participated in the development of capital market, and realised balanced development among quality, efficiency and business scale on the basis of sound and compliant operation. At the end of 2023, the size of WMPs of CCB Wealth Management amounted to RMB1.50 trillion, total assets of CCB Wealth Management were RMB22,397 million, and shareholders' equity was RMB19,454 million. Net profit in 2023 was RMB1,323 million.

### CCB Housing Rental

CCB Housing Rental Private Fund Management Co., Ltd. was established in 2022, with a registered capital of RMB100 million. CCB Trust holds 100% of its shares. It is mainly engaged in private equity investment fund management and venture capital fund management services. CCB Housing Rental is the general partner of CCB Housing Rental Fund and serves as both the fund manager and managing partner.

CCB Housing Rental explored the new pattern of real estate development that encourages both housing rentals and purchases via innovation of financial instruments. At the end of 2023, assets managed by CCB Housing Rental reached RMB12,843 million, total assets of CCB Housing Rental amounted to RMB189 million, and shareholders' equity was RMB107million. Net profit in 2023 was RMB7 million.

## Other Business Segment

### CCB FinTech

CCB FinTech Co., Ltd. was established in 2018, which is the first and largest FinTech company invested by a large state-owned commercial bank and operated as a whole in a market-oriented approach, with a registered capital of RMB1,730 million. In 2021, CCB FinTech introduced strategic investors including CCB Tenghui (Shanghai) Private Equity Fund Management Co., Ltd., China Central Depository & Clearing Co., Ltd., Shanghai Lianyin Venture Capital Co., Ltd., and China Development Bank Capital Co., Ltd., holding 92.5%, 2.5%, 2.5% and 2.5% in its shares, respectively. CCB International (China) Co., Ltd, a wholly-owned subsidiary of CCB International, holds 100% shares in CCB Tenghui (Shanghai) Private Equity Fund Management Co., Ltd.

CCB FinTech focused on its main responsibilities, ramped up its research of core technologies, promoted independent research and development of distributed core systems, trained and put into production FinLLM, and created full-stack independent and controllable cloud-based versions of core banking products, significantly improving its parallel delivery capabilities. In 2023, CCB FinTech was once again recognised as a "national high-tech enterprise", and continued to be shortlisted as the "Exemplary Enterprise for Sci-Tech Reform" by the Leading Group Office of State-owned Enterprise Reform of the State Council. At the end of 2023, total assets of CCB FinTech were RMB7,267 million, and shareholders' equity was RMB1,498 million. Net profit in 2023 was RMB2 million.

# CCB LIFESTYLE

We keep up the hustle and bustle of everyday life through digital means, connecting the supply and demand side of people's livelihood and consumption with "CCB Lifestyle".

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

# ENTITIES, OUTLETS AND ONLINE CHANNELS

The Group continued to optimise and improve the enterprise-level "binary star" platform of mobile banking and "CCB Lifestyle", consolidated the digital ecosystem, and gradually built a financial service ecosystem and operation service model featuring multi-channel layout, online and offline integrated development, and extensive external reach, so as to effectively prevent discrimination and prejudice in financial services, bridge the "digital divide", and constantly improve the availability and inclusiveness of financial services to meet the financial service needs of the public.

## Entities and Outlets

The Group provided its customers with convenient and high-quality financial services through its extensive branches and sub-branches, self-service equipment, specialised service entities and electronic banking service platforms. At the end of 2023, the Group had a total of 14,895 operating entities. The Bank had a total of 14,289 operating entities consisting of 14,255 domestic entities including the head office, 2 branch-level specialised entities, 37 tier-1 branches, 362 tier-2 branches, 13,818 sub-branches, 35 outlets under the sub-branches, and 34 overseas entities. It had 25 major subsidiaries with a total of 606 entities, including 457 domestic ones and 149 overseas ones.

The following table sets forth the distribution of the Group's operating entities by region as at the date indicated.

| | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|
| | Number of entities | % of total | Number of entities | % of total |
| Yangtze River Delta | 2,249 | 15.10 | 2,261 | 15.10 |
| Pearl River Delta | 1,829 | 12.28 | 1,842 | 12.31 |
| Bohai Rim | 2,385 | 16.01 | 2,384 | 15.93 |
| Central | 3,431 | 23.03 | 3,450 | 23.05 |
| Western | 2,959 | 19.87 | 2,967 | 19.82 |
| Northeastern | 1,398 | 9.38 | 1,415 | 9.45 |
| Head office | 4 | 0.03 | 3 | 0.02 |
| Overseas | 34 | 0.23 | 34 | 0.23 |
| Subsidiaries | 606 | 4.07 | 613 | 4.09 |
| Total | 14,895 | 100.00 | 14,969 | 100.00 |


The Bank continued to optimise its outlet layout, enhance the effectiveness of its outlet's operations and support resource input in channel construction in counties and regions such as the Beijing-Tianjin-Hebei region, the Yangtze River Delta, and the Guangdong-Hong Kong-Macao Greater Bay Area. It stepped up the withdrawal, merger, or relocation of inefficient and concentrated outlets in urban areas and expanded the outlet coverage in new urban planning areas and key counties. In 2023, the Bank relocated 264 outlets, and set up 28 new outlets, including 21 new county-level outlets. It supported the consolidation of poverty alleviation achievements and set up 140 outlets in 82 out of 160 key counties that needed national assistance in rural revitalisation. The Bank optimised the configuration of self-service channel with 48,133 ATMs and 43,434 smart teller machines in operation to support business processing and government affairs services. It ensured the provision of self-service facilities at urban and county-level outlets with large customer traffic. It set up 15,106 ATMs and 13,076 smart teller machines at county-level outlets and deployed 1,120 self-service facilities in 160 key counties that need national assistance in rural revitalisation. It had established over 280 inclusive finance service centres and over 1,800 personal loan centres. It opened 13,845 "Workers' Harbours" to the public, continued to promote the "Workers' Harbours +" model and expanded the service scope in fields such as elderly-friendly and caring services, integrated government affairs services, rural revitalisation, green and low carbon transformation, educational aid, legal aid and popularisation, and barrier-free services.

The Bank further pressed ahead with centralised operation and process upgrades of complex businesses at outlets. It accelerated the process optimisation of high-frequency complex businesses at outlets, saving 25 minutes for opening a single corporate account and more than ten minutes for opening a single personal account, significantly improving customer and employee experience. It took 293 business items under centralised operation in total, with the centrally processed ratio for RMB accounting business and foreign exchange remittance business exceeding 98%. It adopted intelligent technologies such as Robotic Process Automation ("RPA") to improve the quality and efficiency of centralised operation, saving 5.20 million man-hours throughout the year.

## Online Channels

The Bank engaged deeply in the online ecosystem of the "binary star" platform of mobile banking and "CCB Lifestyle", continuously optimised enterprise-level digitalised operation capability, and built a foundation of digitalised operation featuring "financial services + non-financial services". It took mobile banking as the main platform for financial products and services, continuously improved its value conversion operation ability, and efficiently undertook internal and external traffic and services. "CCB Lifestyle" continued to enrich local life services and became the most accessible and efficient customer acquisition and reactivation platform.

At the end of 2023, the Bank had 543 million online personal users. Specifically, it had more than 200 million monthly active users ("MAU") and 26 million daily active customers of the "binary star" platforms, with 178 million financial transaction customers in 2023, maintaining the leading position in the industry.


**Mobile Banking**

The Bank built a solid foundation of mobile banking services with the "customer-centric" concept. It focused on updating and iterating its mobile banking in light of the common needs of customers such as account opening & login, account management, transfer, search and to-do, reconstructed functional navigation, deeply engaged in key payment scenarios related to people's livelihood such as water, electricity and gas, innovated new interactive experience such as widgets and live windows, and launched event calendar, membership tasks and reward centre, so as to comprehensively improve user experience and customer service capabilities. MAU of "Wealth" channel and "Life" channel increased by 44.64% and 46.58% respectively over 2022. It optimised the wealth matrix function, integrated financial product channels, and launched a new "Longqianbao" series of products to help customers allocate assets more effectively based on their own needs. Mobile banking had more than 400 million customers with assets, an increase of 5.05% over 2022; specifically, active customers of mobile banking with assets exceeding RMB10,000 increased by 16.26% over 2022. More than 95% of the Bank's wealth customers managed their personal wealth via mobile banking, and new users of wealth management via mobile banking increased by 24.62% over 2022, with the transaction scale of wealth products reaching RMB6.86 trillion. Moreover, the Bank witnessed 7.66 million personal pension accounts opened in mobile banking, maintaining a leading position among peers.

**CCB Lifestyle**

In 2023, "CCB Lifestyle" accelerated the transformation from "building a platform" to "using a platform", and continued to play a positive role in online customer access, customer reactivation under ecological scenarios and platform's business operation. Through building an ecosystem and setting up scenarios, the Bank not only brought convenience and benefits to consumers, but also provided a commission-free online business platform for registered merchants, supporting the real economy by digitalised inclusive finance, with the purpose of building a better life. The platform had a total of 128 million registered users with more than 370 thousand online merchant stores, generating 461 million transactions through platform traffic and operation for registered merchants, with a transaction amount of nearly RMB26 billion.

## Feature article No. 11: Actively implementing the New Finance strategy of "binary star" and introducing best practices for platform operation

The Bank continued to optimise the enterprise-level digitalised operation capability of mobile banking and "CCB Lifestyle", and gradually formed a traffic gathering based on the customer mindset of "Claiming benefits on CCB Lifestyle" and "Making financial transactions in mobile banking". It continuously improved the effectiveness of traffic gathering, operation and transformation of the "binary star" platform, enabling localised characteristic operation in branches.

In terms of expanding the business ecology of merchants, the Bank vigorously engaged in key accounts ("KA") and formed a multi-win situation which provides more benefits for customers, more traffic support for merchants, and extended offline customer access channels for banks. It had signed contracts with more than 100 thousand KIA stores of more than 50 KA merchants' brands across the country, and the number of merchants for daily payments in "Joy Life" reached 67,300, with a cumulative transaction volume of RMB170,887 million.

In terms of digital scenario innovation, the Bank continued to launch more scenario-based services that meet customer demands. It built a consumption scenario of "Smart Canteen", covering more than 4,000 enterprises and institutions, and facilitating the digital upgrading of traditional canteens of different industries and sizes; it built regional scenario-based sections, gathered traffic by concentrating resources around different consumption themes, and supported the development of consumer credit business. Focusing on daily production and life scenarios such as agricultural materials and supermarkets in rural areas of counties, the Bank built special sections that include beneficial and convenient services for farmers, which effectively improved the ability of inclusive finance services.

In terms of customer acquisition, the Bank witnessed cyclic traffic growth by focusing on customer's mindset. For offline channels, it capitalised on the advantages of traditional corporate resources to serve enterprise employees, brought new customers for the "binary star" platforms, and supported business expansion such as pension; for online channels, it sought customer growth from various internal and external scenario-based platforms. "CCB Lifestyle" obtained 1.57 million customers from external channels throughout the year, and the number of new mobile banking customers with transactions exceeded 10 million.

In terms of government project support, relying on the capacity of the "binary star" in connecting merchants, customers and governments, the Bank actively undertook the issuance of government consumption coupons, increased its efforts to benefit people's livelihood and promote consumption, and jointly boosted the vitality of market entities, helping realise people's aspiration for a better life. In 2023, the Bank served a total of 217 city governments for their consumption promotion activities, and issued 81.27 million consumption coupons, driving consumption approximating RMB6,202 million.

### Online Banking

Personal online banking focused on the needs of key customers, optimised display of key floors and customer journeys, and provided professional customer group services for various customers, such as USBkey customers, private banking customers, and cross-border customers. The Bank continued to improve customer experience by supporting the purchase of WMPs in e-CNY and adding special instalment services. It introduced new common processes for corporate online banking, and the product processes could be set up in a unified manner, simplifying customer operations; it introduced the model of "a single USBkey for one legal person", enabling customers to use one USBkey to operate all the functions of online banking, thus reducing costs and increasing efficiency for small businesses; and it launched the "Technology Easy Loan" product, introduced a special fund supervision model known as "Baiyian", and promoted electronic receipts in a unified format, continuously enriching channel functions. The number of personal online banking users was 416 million, an increase of 2.82% over 2022. The number of corporate online banking users was 14,094.4 thousand, an increase of 14.03% over 2022.

### Online Payment

The Bank kept abreast of the changes in customer demand under the development trend of the Internet, and continued to improve the experience of online payment products and services. It supported the sound development of market entities, increased financial support for private and small and micro businesses, and joined hands with Meituan to continuously upgrade the "business card" service to provide small and micro merchants with integrated value-added services such as fast payment, super billing, and fund management. It facilitated easier payment and consumption for overseas visitors travelling to China, and cooperated with CCB Malaysia, NetsUnion Clearing Corporation ("NUCC") and PayNet to provide cross-border barcode payment services. The number of online payment transactions was 62,305 million, an increase of 17.79% over 2022, and the corresponding transaction volume amounted to RMB22.43 trillion, an increase of 8.46% over 2022. There were 447 million card-linked fast payment users, of which the number of "super users" with more than 20 transactions per year exceeded 200 million. The Bank ranked first among its peers in terms of its market share in leading payment institutions such as Alipay, JD, Meituan, Tik Tok, and Pinduoduo.

### Remote Intelligent Banking

The Bank upheld the development concept of "service as operation", relied on the remote intelligent banking service platform to create the first service touch point covering all media and all channels, tapped the value of unstructured data, and provided domestic and overseas customers with remote and comprehensive financial services anywhere, anytime. It built four major platforms, including the unified customer service platform, the "WeChat 95533 Hotline" platform, the multi-functional outbound call platform, and the enterprise-level knowledge management platform, and promoted the "cloud-based production" operation model of resource sharing and reuse, so as to efficiently respond to customer demands and build a customer service and operation hub across the bank. In 2023, the Bank served 527 million customers across all channels. It enhanced its smart customer service capabilities, enriched convenient service functions such as "smart prediction" and "cloud delivery", and innovatively launched special functions such as "One-stop Offerings" product supermarket shelves and "Digital Customer Service". The number of followers of WeChat official account "CCB customer service" exceeded 33.56 million.

# RISK MANAGEMENT



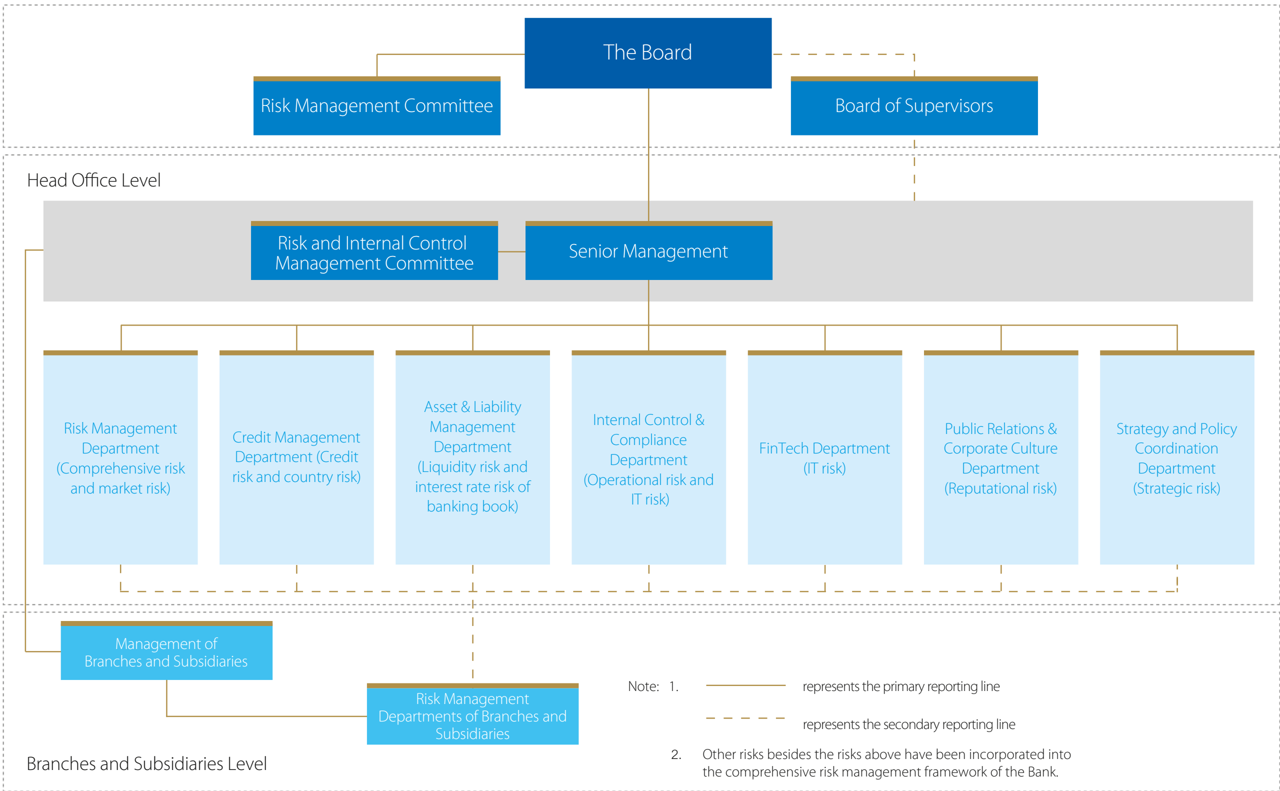
The Group adhered to its comprehensive risk management concept of "full coverage, whole processes, all participation, systemic knowledge, global vision and enterprise-wide governance", implemented management requirements of "definite delegation, conscious of the situation, early warning, prompt actions, be innovative and strict appraisal", and continued to improve its comprehensive risk management system and mechanisms. It upgraded long-term mechanisms such as culture, accountability, science and technology, inspection, assessment and team-building, and pressed ahead with integrated risk management across the group. It strengthened cross-cycle asset quality controls, enhanced its measures to manage new risks, and ensured that all risks were under control on the whole.

The Group constantly improved its comprehensive, proactive, intelligent and modern risk management system. To strengthen comprehensive risk management, it continuously optimised risk governance system from the Group's perspective, accelerated construction of comprehensive risk management infrastructure, continuously improved its coordinated risk control mechanism of "three lines of defence", and promoted proactive integration of the "second line of defence" into the "first line of defence" to eliminate management vacuum. To strengthen proactive risk management, it adhered to the bottom line of risk compliance, and reinforced the prevention and control of major financial risks; it promoted unified management of credit risk, improved the comprehensive financing management mechanism for corporate customers, and strengthened the management of major risk incidents and emergencies, so as to ensure there were no major or severe cases, large NPLs, large claims and disputes, large penalties, major risk events or widespread negative media coverage. To strengthen intelligent risk management, it issued the *Implementation Plan for the Upgrading project of Intelligent Risk Control Platform (2023-2025)*, focused on the "six capabilities", i.e. mobile risk control, monitoring, early warning and interception, automatic data aggregation and risk reporting, anti-fraud, anti-money laundering, and automated risk control, and accelerated the construction of an enterprise-wide risk management platform; it improved panoramic risk view, continuously iterated and optimised intelligent risk control systems such as "3R" and "Blue Chip", and promoted the 30 application projects of intelligent risk control to empower business, customers, government and internal management; it strengthened the identification of and response to risks related to financial digitalisation, consolidated the foundation of automatic aggregation of all business exposures of customers, and improved effective risk data aggregation and risk reporting capabilities. The Group also updated its recovery and resolution plans on an annual basis, and made continuous improvements in areas such as total loss-absorbing capacity ("TLAC"), large exposures, and effective risk data aggregation and risk reporting, so as to meet the additional regulatory requirements for systemically important banks.

MANAGEMENT DISCUSSION AND ANALYSIS
RISK MANAGEMENT

## RISK MANAGEMENT STRUCTURE

The risk management organisational structure of the Bank comprises the Board and its special committees, senior management and its special committees, the departments for risk management, etc. The framework is as follows.




The Board fulfils risk management responsibilities pursuant to the Articles of Association of the Bank and regulatory requirements. The Board and its risk management committee develop risk management strategies, supervise the implementation, assess the overall risk profile, regularly review the statements of risk appetite and transmit the risk appetite through relevant policies. The board of supervisors supervises the building of comprehensive risk management system, as well as the performance of the Board and senior management in discharging their comprehensive risk management responsibilities. Senior management is responsible for implementing risk strategies developed by the Board and organising the implementation of the comprehensive risk management work across the group.

Risk management department is the lead department responsible for the Group's comprehensive risk management, and leads the management of market risk. Credit management department is the lead department responsible for the overall credit risk management and country risk management. Asset & liability management department is the lead department responsible for the management of liquidity risk and interest rate risk of banking book. Internal control & compliance department is the lead department responsible for operational risk management. FinTech department and internal control & compliance department jointly promote IT risk management. Public relations & corporate culture department is the lead department responsible for reputational risk management. Strategy and policy coordination department is the lead department responsible for strategic risk management. Other types of risks are managed by respective specialised departments.

The Bank attached great importance to risk management of subsidiaries. It continuously optimised the risk governance system for subsidiaries, enhanced joint efforts of the parent bank and subsidiaries in terms of risk prevention and control, and raised the efficiency of risk early warning and decision-making at the parent bank and subsidiaries. It scientifically set quantitative indicators of risk appetite for subsidiaries, clarified their management objectives for various risk, and improved the subsidiary-specific risk control mechanisms. It established a comprehensive financing management structure at the group level, improved the "three lines of defence" mechanism for risk management at the subsidiaries, and optimised their risk reporting mechanism and reporting lines. It also performed risk profiling for subsidiaries, and strengthened substantive risk control so as to consolidate the bottom line of risk management and compliance at subsidiaries.

### Progress in Implementing Basel III

In 2007, the Bank took the lead in transitioning to the New Basel Capital Accord (Basel II) in China. After years of efforts, the Bank has established and improved the "Three Pillars" system and formed a management application system covering all business processes at the front, middle and back offices and a comprehensive risk management system in line with international standards. In 2010, the Basel Committee issued the initial framework for Basel III reform. In 2012, the former CBIRC issued the *Capital Rules for Commercial Banks (Provisional)*, which reforms the capital adequacy ratio requirements and regulatory capital standards. The Bank actively adapted to changes in international and domestic regulatory rules. In 2014, it was among the first banks approved by domestic regulators to implement the advanced approach for capital management. In 2020, with the approval of regulators, the Bank expanded the scope of implementation to further improve refined risk management and capital measurement. For more details, please refer to the *Capital Adequacy Ratio Report 2023* issued by the Bank.

In 2017, the Basel Committee released the final framework for Basel III reform based on the initial one. The former CBIRC started to revise domestic regulatory rules. The Bank closely followed regulatory developments at home and abroad, proactively proposed work arrangements in 2019 and gradually formed 18 major tasks to further improve the comprehensive risk management system against the final framework. The Bank optimised and expanded the system of various internal ratings-based models for sci-tech enterprises, rural collective economic organisations, small and micro businesses in the retail industry, and special credit card instalment business, and continuously enhanced the robustness of model performance. It reviewed regulatory rules and business processes of the new standardised approach for credit risk, and re-examined the management rules for credit risk mitigation such as collaterals and guarantees. It fully implemented the new standardised approach for credit risk and the rules of the internal rating-based approach under the new capital rules, enabling the unified and automatic measurement of credit risk-weighted assets across the group. It comprehensively upgraded the counterparty credit risk capital measurement system, and applied the new standardised approach for counterparty credit risk and credit valuation adjustment at the group level. It independently developed and launched the market risk measurement system under the new standardised approach, and started to implement the new internal model method for market risk. It comprehensively optimised operational risk systems and processes, and improved loss data management. It re-examined and optimised functions of risk-weighted assets measurement system and promoted the implementation of the new framework for Pillar 3 disclosures, while enhancing system automation and integration capabilities at the group level. The Bank steadily pressed ahead with each improvement task, and the overall progress was in line with expectations. The *Capital Rules for Commercial Banks* were issued by the NFRA in 2023 and has come into effect since 2024. The Bank will fully support the transition between the old and new rules and prepare for the parallel reporting.

## BUILDING OF RISK AND COMPLIANCE CULTURE

The Group continued to foster a "steady, prudent, comprehensive and proactive" risk culture. It pressed ahead with the implementation of relevant rules for the building of risk culture, and promoted the effective integration of risk culture into management mechanism, rules and policies, business procedures, operating process, technical tools, code of conduct, as well as business management. Leaders of institutions at all levels across the group took the lead in the practice and promotion of risk culture, and identified risk culture as the focus of training for each level, each business line, new employees and online learning. By ways of platforms such as "Risk Culture Lecture Hall" and "Risk Culture Talk", the Group took videos, micro classes, online classes and multiple methods to improve the quality and effectiveness of risk culture promotion. It attached great importance to the building of risk management team, closely followed regulatory requirements and developments of risk management at commercial banks, refined the types of risk management positions, clarified management responsibilities, increased its efforts in the development of urgently-needed talents, and provided effective support for team building in terms of professional qualifications, incentives and constraints, training and examinations, and building of talent pools.

The Group continuously promoted building of compliance culture, deepened the compliance concept of "proactive compliance by all employees, and compliance creates value", and promoted professional ethics and value propositions of honesty and integrity across the group to improve compliance awareness of all employees. It continued to organise compliance manager qualification examinations and expand online training channels to improve the professional competency of its compliance personnel.

## GROUP RISK APPETITE AND TRANSMISSION

As an important part of the comprehensive risk management system, the Group's risk appetite is reviewed by the Board and implemented by senior management. With careful study of future development, the basic positioning of business development and the risk-taking boundary of safe banking operation were clarified. Focusing on "what to do and not to do, and how much risk will be assumed if we do", risk appetite constantly plays a leading role in coordinating development and security, and secures the implementation of comprehensive risk management requirements.

The Group maintained a steady and prudent risk appetite, and adhered to the basic principle that business development should be subject to risk prevention and control capabilities. The risk appetite covered segments such as corporate finance business, personal finance business, treasury and asset management, and technology, channel and operation, and institutions including domestic branches, overseas operations and subsidiaries. The Group focused on serving the real economy and prioritised businesses to support key national strategies and key areas for development. It emphasised the balance between development and security, and focused on improving the six core capabilities of value creation, asset quality control, structural adjustment, risk early warning, intelligent risk control and coordinated risk control at three lines of defence. It specified qualitative requirements and quantitative indicators of various key risks and highlighted effective connections with subsequent management tools such as subsequent business plans, credit policies, risk limits, capital management and performance assessment. It paid equal attention to uniformity as well as differences. On the one hand, the Group emphasised that domestic branches, overseas operations and subsidiaries must comply with its unified risk policies and standards for businesses that bear substantive credit risks, and strengthened collaborative governance of customers with risks to avoid different credit strategies towards the same customer. On the other hand, it emphasised that under the unified risk appetite framework, risk appetites for the same type of business may be different according to the subsidiary's business nature and development positioning to implement the subsidiary-specific strategic positioning and development needs.

## CREDIT RISK MANAGEMENT

The Group attached great importance to risk prevention and control, adhered to bottom line thinking and limit thinking, and effectively controlled risks in key areas, thus ensuring the stability and controllability of the overall credit risk in 2023.

The Group optimised credit approval management mechanism. In line with the comprehensive financing management rules, the basic procedure for the comprehensive financing business of corporate customers follows the sequence of "rating, total amount and single business", and the basic procedure for that of group customers follows the sequence of "total amount of groups, total amount of single customers, and single business". The total amount of comprehensive financing covers credit and non-credit investment and financing businesses that the Bank has provided and intends to provide to its customers. Operating departments are responsible for customer investigation and eligibility assessment, declaration of customer ratings, development of comprehensive financing business plan and post-lending management, while credit approval departments are responsible for the implementation of independent project evaluation, review of credit ratings of corporate customers, and independent approval of comprehensive financing business.

The Group pressed ahead with unified credit risk management. It continuously enhanced structural optimisation and adjustment, based on a unified credit policy, further advanced strategic businesses such as inclusive finance, housing rental, rural revitalisation, and green finance, and provided support for key areas such as manufacturing, strategic emerging industries, IT innovation, new infrastructure, energy security, digital economy, and modern service industry, so as to consolidate the foundation for long-term sustainable development. It enhanced whole-process risk management, and integrated environmental, social and governance risks into the business management system and the entire process of investment and lending. It continuously strengthened the fundamental management of loan disbursement review, post-lending tracking and collateral monitoring, built and improved the intelligent collection model system for retail services, and intensified forward-looking prediction, prevention and control of risks. It improved its unified credit risk monitoring mechanism, stressed on the responsibilities for risk management and control, adhered to the "customer-centric" concept in coordinated management, and enhanced collaborative risk prevention and control between the parent bank and subsidiaries. From 1 July 2023, the Group officially implemented the *Rules on Risk Classification of Financial Assets of Commercial Banks*. It took full consideration of the substantive risks, conducted risk classification management in a strict and accurate manner in line with the three-step procedure of "initial classification, identification and approval", and the asset quality remained stable.

The Group enhanced its risk measurement capabilities. It rolled out an evaluation tool called "STAR" specially for sci-tech enterprises across the bank; it integrated ESG elements into customer ratings, and improved functions of ESG rating system for corporate customers; it developed a risk assessment model for medium-sized enterprises in the supply chain, and launched the functions of scorecard system for rural collective economic organisations; it continuously optimised and promoted the online business risk scan and detecting system (RSD), rolled out scorecards for secured quick loans for personal businesses, upgraded scorecards for "Yunong Quick Loan", and improved the application of scorecard tool in the retail business segment. The Group performed stress testing on credit risk on a regular basis, and results of the Group's stress testing on credit risk, stress testing on internal capital adequacy assessment process (ICAAP), the PBC's stress testing for banking sector, and stress testing on recovery and resolution plans (RRP) and collateral risks all met regulatory requirements. It performed special stress testing on stress scenarios such as downward trend in exports, changes in real estate market and debts of local financing platform companies, and the results indicated that underlying risks were within control.

The Group strengthened its special assets resolution. It followed the overarching principle of "proactive risk control, quick disposal, and orderly collaboration", continuously increased its efforts in disposal, and maintained effective risk mitigation with enhanced capability, quality and efficiency of non-performing asset disposal. The Group was committed to serving the real economy, and implementing the New Finance initiatives. With the effective management and timely disposal of non-performing assets, the Group sped up the flow of credit funds and the virtuous economic circulation, and provided solid support for the group-wide strategy implementation, operation management and control, structural adjustment and efficiency enhancement.

### Distribution of Loans by Five-category Classification

The following table sets forth, as at the dates indicated, the distribution of the Group's loans by the five-category loan classification under which NPLs include substandard, doubtful and loss.

| | As at 31 December 2023 | | As at 31 December 2022 | |
|---|---|---|---|---|
| (In millions of RMB, except percentages) | Amount | % of total | Amount | % of total |
| Normal | 22,903,949 | 96.19 | 20,323,278 | 96.10 |
| Special mention | 581,777 | 2.44 | 532,032 | 2.52 |
| Substandard | 126,691 | 0.53 | 156,363 | 0.74 |
| Doubtful | 99,597 | 0.42 | 90,801 | 0.43 |
| Loss | 98,968 | 0.42 | 45,661 | 0.21 |
| Gross loans and advances to customers excluding accrued interest | 23,810,982 | 100.00 | 21,148,135 | 100.00 |
| NPLs | 325,256 | | 292,825 | |
| NPL ratio | | 1.37 | | 1.38 |

In 2023, the Group firmly safeguarded its risk bottom line, accurately assessed its risk position based on the principle of substantive risk judgement, and maintained stable asset quality. At the end of 2023, the Group's NPLs were RMB325,256 million, an increase of RMB32,431 million over 2022. The NPL ratio dropped to 1.37%, a decrease of 0.01 percentage points from 2022. The special mention loans accounted for 2.44% of the gross loans and advances to customers excluding accrued interest, a decrease of 0.08 percentage points from 2022.

## Distribution of Loans and NPLs by Product Type

The following table sets forth the Group's loans and NPLs by product type as at the dates indicated.

| | As at 31 December 2023 | | | As at 31 December 2022 | | |
|---|---|---|---|---|---|---|
| (In millions of RMB, except percentages) | Loans and advances | NPLs | NPL Ratio (%) | Loans and advances | NPLs | NPL Ratio (%) |
| Corporate loans and advances | 13,225,655 | 248,126 | 1.88 | 11,020,150 | 229,074 | 2.08 |
| Short-term loans | 3,594,305 | 69,554 | 1.94 | 2,927,713 | 67,414 | 2.30 |
| Medium to long-term loans | 9,631,350 | 178,572 | 1.85 | 8,092,437 | 161,660 | 2.00 |
| Personal loans and advances | 8,676,054 | 57,094 | 0.66 | 8,236,768 | 45,375 | 0.55 |
| Residential mortgages | 6,386,525 | 26,824 | 0.42 | 6,479,609 | 23,847 | 0.37 |
| Credit card loans | 997,133 | 16,541 | 1.66 | 924,873 | 13,469 | 1.46 |
| Personal consumer loans | 421,623 | 3,630 | 0.86 | 295,443 | 2,622 | 0.89 |
| Personal business loans | 777,481 | 7,424 | 0.95 | 415,344 | 2,694 | 0.65 |
| Other loans | 93,292 | 2,675 | 2.87 | 121,499 | 2,743 | 2.26 |
| Discounted bills | 1,104,787 | – | – | 1,048,651 | – | – |
| Overseas operations and subsidiaries | 804,486 | 20,036 | 2.49 | 842,566 | 18,376 | 2.18 |
| Gross loans and advances excluding accrued interest | 23,810,982 | 325,256 | 1.37 | 21,148,135 | 292,825 | 1.38 |

## Distribution Of Loans And NPLs By Region

The following table sets forth, as at the dates indicated, the distribution of the Group's loans and NPLs by region.

| | As at 31 December 2023 | | | As at 31 December 2022 | | |
|---|---|---|---|---|---|---|
| (In millions of RMB, except percentages) | Loans and advances | NPLs | NPL ratio (%) | Loans and advances | NPLs | NPL ratio (%) |
| Yangtze River Delta | 4,703,648 | 36,544 | 0.78 | 4,059,468 | 37,465 | 0.92 |
| Pearl River Delta | 3,936,980 | 80,208 | 2.04 | 3,534,462 | 64,260 | 1.82 |
| Bohai Rim | 4,058,595 | 40,809 | 1.01 | 3,578,965 | 40,967 | 1.14 |
| Central | 3,993,891 | 64,726 | 1.62 | 3,502,347 | 57,581 | 1.64 |
| Western | 4,440,785 | 46,204 | 1.04 | 3,925,921 | 41,120 | 1.05 |
| Northeastern | 975,595 | 27,433 | 2.81 | 898,474 | 26,620 | 2.96 |
| Head Office | 1,026,719 | 16,608 | 1.62 | 942,131 | 13,541 | 1.44 |
| Overseas | 674,769 | 12,724 | 1.89 | 706,367 | 11,271 | 1.60 |
| Gross loans and advances excluding accrued interest | 23,810,982 | 325,256 | 1.37 | 21,148,135 | 292,825 | 1.38 |

### Distribution of Loans and NPLs by Industry

The following table sets forth the Group's loans and NPLs by customers' industry as at the dates indicated.

| | As at 31 December 2023 | | | | As at 31 December 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| (In millions of RMB, except percentages) | Loans and advances | % of total | NPLs | NPL ratio (%) | Loans and advances | % of total | NPLs | NPL ratio (%) |
| Corporate loans and advances | 13,225,655 | 55.54 | 248,126 | 1.88 | 11,020,150 | 52.11 | 229,074 | 2.08 |
| Leasing and commercial services | 2,446,233 | 10.27 | 44,571 | 1.82 | 2,012,840 | 9.52 | 48,598 | 2.41 |
| – Commercial services | 2,398,359 | 10.07 | 43,065 | 1.80 | 1,972,697 | 9.33 | 47,374 | 2.40 |
| Transportation, storage and postal services | 2,231,294 | 9.37 | 21,157 | 0.95 | 1,960,083 | 9.27 | 18,692 | 0.95 |
| Manufacturing | 2,070,294 | 8.69 | 37,425 | 1.81 | 1,646,183 | 7.78 | 46,106 | 2.80 |
| Production and supply of electric power, heat, gas and water | 1,380,505 | 5.80 | 10,680 | 0.77 | 1,081,718 | 5.11 | 10,577 | 0.98 |
| Wholesale and retail trade | 1,357,274 | 5.70 | 25,907 | 1.91 | 1,094,678 | 5.18 | 17,788 | 1.62 |
| Real estate | 853,956 | 3.59 | 48,158 | 5.64 | 770,675 | 3.64 | 33,605 | 4.36 |
| Water, environment and public utility management | 740,150 | 3.11 | 9,991 | 1.35 | 667,836 | 3.16 | 6,209 | 0.93 |
| Construction | 622,505 | 2.61 | 16,387 | 2.63 | 521,232 | 2.47 | 13,425 | 2.58 |
| Mining | 326,474 | 1.37 | 18,309 | 5.61 | 255,321 | 1.21 | 19,531 | 7.65 |
| – Exploitation of petroleum and natural gas | 28,676 | 0.12 | 128 | 0.45 | 7,802 | 0.04 | 124 | 1.59 |
| Information transmission, software and information technology services | 191,762 | 0.81 | 3,367 | 1.76 | 145,248 | 0.69 | 3,470 | 2.39 |
| – Telecommunications, broadcast and television, and satellite transmission services | 21,938 | 0.09 | 209 | 0.95 | 16,855 | 0.08 | 685 | 4.06 |
| Education | 101,367 | 0.42 | 224 | 0.22 | 89,755 | 0.42 | 158 | 0.18 |
| Others | 903,841 | 3.80 | 11,950 | 1.32 | 774,581 | 3.66 | 10,915 | 1.41 |
| Personal Loans and advances | 8,676,054 | 36.44 | 57,094 | 0.66 | 8,236,768 | 38.95 | 45,375 | 0.55 |
| Discounted bills | 1,104,787 | 4.64 | – | – | 1,048,651 | 4.96 | – | – |
| Overseas operations and subsidiaries | 804,486 | 3.38 | 20,036 | 2.49 | 842,566 | 3.98 | 18,376 | 2.18 |
| Gross loans and advances excluding accrued interest | 23,810,982 | 100.00 | 325,256 | 1.37 | 21,148,135 | 100.00 | 292,825 | 1.38 |

In 2023, the Group implemented its unified credit policy, and promoted structural adjustment and optimisation continuously. It carefully selected its customers, increased its efforts in supporting the real economy, and continued to effectively control risks in key areas. NPL ratios for manufacturing, leasing and commercial services declined, and those for transportation, storage and postal services remained sound.

### Rescheduled Loans and Advances to Customers

The following table sets forth the Group's rescheduled loans and advances to customers as at the dates indicated.

| | As at 31 December 2023 | | As at 31 December 2022 | |
|---|---|---|---|---|
| (In millions of RMB, except percentages) | Amount | % of gross loans and advances excluding accrued interest | Amount | % of gross loans and advances excluding accrued interest |
| Rescheduled loans and advances to customers | 53,824 | 0.23 | 13,537 | 0.06 |

1. The standard of rescheduled loans and advances to customers was in compliance with the *Rules on Risk Classification of Financial Assets of Commercial Banks* as at 31 December 2023.

At the end of 2023, the rescheduled loans and advances to customers were RMB53,824 million, and its proportion in gross loans and advances excluding accrued interest was 0.23%.

MANAGEMENT DISCUSSION AND ANALYSIS

RISK MANAGEMENT

### Overdue Loans and Advances to Customers

The following table sets forth the Group's overdue loans and advances to customers by overdue period as at the dates indicated.

| | As at 31 December 2023 | | As at 31 December 2022 | |
|---|---|---|---|---|
| (In millions of RMB, except percentages) | Amount | % of gross loans and advances excluding accrued interest | Amount | % of gross loans and advances excluding accrued interest |
| Overdue within three months | 83,625 | 0.35 | 87,997 | 0.41 |
| Overdue between three months and six months | 41,107 | 0.17 | 29,385 | 0.14 |
| Overdue between six months and one year | 53,943 | 0.23 | 35,369 | 0.17 |
| Overdue between one and three years | 72,670 | 0.31 | 54,943 | 0.26 |
| Overdue for over three years | 14,511 | 0.06 | 11,118 | 0.05 |
| Total overdue loans and advances to customers | 265,856 | 1.12 | 218,812 | 1.03 |

At the end of 2023, overdue loans and advances to customers were RMB265,856 million, an increase of RMB47,044 million over 2022, and its proportion in gross loans and advances excluding accrued interest increased by 0.09 percentage points.

### Migration Rate of Loans

| (%) | As at 31 December 2023 | As at 31 December 2022 | As at 31 December 2021 |
|---|---|---|---|
| Migration rate of normal loans | 1.66 | 1.57 | 1.17 |
| Migration rate of special mention loans | 12.21 | 11.81 | 13.70 |
| Migration rate of substandard loans | 44.86 | 35.85 | 30.85 |
| Migration rate of doubtful loans | 44.84 | 39.63 | 38.16 |

1. The migration rate of loans was calculated on a consolidated basis according to definition of the indicators revised in 2022 by former CBIRC.

### Large Exposures Management

The Group strictly implemented regulatory requirements, and regularly reported its large exposures. It made full use of FinTech to improve the data management efficiency of customers' full risk exposures, and continuously optimised the internal management mechanism to strengthen the monitoring, analysis and dynamic management of large exposures.

### Concentration of loans

As at 31 December 2023, the Group's gross loans to the largest single borrower accounted for 4.42% of the total capital after regulatory adjustment, while those to the top ten customers accounted for 14.87% of the total capital after regulatory adjustment.

| (%) | As at 31 December 2023 | As at 31 December 2022 | As at 31 December 2021 |
|---|---|---|---|
| Proportion of loans to the largest single customer | 4.42 | 4.50 | 4.24 |
| Proportion of loans to top ten customers | 14.87 | 14.87 | 12.83 |

The Group's top ten single borrowers as at the date indicated are as follows.

| | | As at 31 December 2023 | |
|---|---|---|---|
| (In millions of RMB, except percentages) | Industry | Amount | % of gross loans and advances excluding accrued interest |
| Customer A | Transportation, storage and postal services | 177,825 | 0.75 |
| Customer B | Production and supply of electric power, heat, gas and water | 69,150 | 0.29 |
| Customer C | Production and supply of electric power, heat, gas and water | 66,000 | 0.28 |
| Customer D | Transportation, storage and postal services | 59,314 | 0.25 |
| Customer E | Leasing and commercial services | 56,026 | 0.23 |
| Customer F | Mining | 36,000 | 0.15 |
| Customer G | Transportation, storage and postal services | 35,695 | 0.15 |
| Customer H | Transportation, storage and postal services | 35,412 | 0.15 |
| Customer I | Transportation, storage and postal services | 33,056 | 0.14 |
| Customer J | Transportation, storage and postal services | 29,580 | 0.12 |
| Total | | 598,058 | 2.51 |

## MARKET RISK MANAGEMENT

In 2023, the Group continuously improved the market risk management system. It formulated the annual risk policy and limit plan for investment and trading business, and strengthened limit control of subsidiaries. It optimised the approval mechanism for real estate bond investments, conducted special stress testing on bonds, carried out risk screening of its bond business on a regular basis, and upgraded its debenture risk management and control system. It advanced the construction of digital monitoring platform for financial market trading business and constantly conducted digital monitoring of trading business. It launched on-site investigation on derivative business in key subsidiaries, and carried out stress testing and risk screening of derivative business in response to fluctuations of RMB exchange rate. It actively pressed ahead with the construction of "Blue Chip", the investment and trading business risk management and control platform, and actively prepared for the implementation of Basel III. It accelerated the development and optimisation of IT systems related to the new standardised approach for market risk and counterparty credit risk measurement on a consolidated basis, and established the systems of measurement, rules and management.

### Value at Risk Analysis

The Bank divides its on- and off-balance sheet assets and liabilities into trading book and banking book. The Bank performs value at risk (VaR) analysis on its trading portfolio to measure and monitor the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices. The Bank calculates the VaRs of its RMB and foreign currency trading portfolios on a daily basis (at a confidence level of 99% and with a holding period of one trading day).

MANAGEMENT DISCUSSION AND ANALYSIS

RISK MANAGEMENT

The VaR analysis on the Bank's trading book as at the balance sheet date and during the respective periods is as follows.

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| (In millions of RMB) | As at 31 December | Average | Maximum | Minimum | As at 31 December | Average | Maximum | Minimum |
| Risk valuation of trading portfolio | 272 | 265 | 427 | 176 | 190 | 144 | 198 | 100 |
| Interest rate risk | 22 | 43 | 68 | 22 | 56 | 30 | 63 | 19 |
| Foreign exchange risk | 269 | 257 | 427 | 154 | 182 | 139 | 193 | 103 |
| Commodity risk | 1 | 1 | 10 | – | 1 | 3 | 24 | – |

### Stress Testing of Market Risk

The Bank uses stress testing over single factor scenario, multi-factor scenario and historical scenario, to effectively supplement VaR analysis on trading books. Stress testing of market risk reveals weak links in the investment and trading business under extreme scenarios by quantitatively analysing the impact of changes in interest rates, exchange rates and other market prices on the price and earnings of the Bank's assets, thus enhancing the Bank's ability to respond to extreme risk events. The stress testing results showed that losses from market risks were generally controllable.

### Interest Rate Risk Management

The Group established interest rate risk management framework and system in light of its own condition and implemented robust and prudent interest rate risk management strategy. The interest rate risk policy is in line with the Group's development strategy, risk appetite and risk management capability, and seeks to achieve a healthy balance between interest rate risk and profitability, minimise the adverse impact from interest rate changes on net interest income and economic value, and to achieve steady profit growth and stable capital structure. The Group employs a range of methods to measure and analyse interest rate risk on banking book, including repricing gap analysis, sensitivity analysis of net interest income and economic value, duration analysis, stress testing, and economic capital analysis. It actively uses quantitative and pricing tools for balance sheet, prudently employs interest rate derivative hedging instruments, and performs interest rate risk management and evaluation by applying plan and performance appraisal and internal capital assessment to effectively control the interest rate risk level of business lines, overseas operations and subsidiaries, so that the interest rate risk on banking book is kept within a reasonable range.

In 2023, the Group paid close attention to domestic and foreign economic situation and significant changes in macro policies and financial market, continuously implemented requirements for reducing financing costs of enterprises, actively supported key areas and weak links of the real economy, reasonably responded to market pressures and management challenges, and maintained the sound and sustainable growth of assets and liabilities. It closely tracked changes in interest rates of deposits, loans and bonds, strengthened monitoring of features of structural changes in the maturities of various assets and liabilities, effectively reviewed interest rate terms of new products, optimised internal and external pricing strategies, and further improved the quality and efficiency of pricing management; it carried out in-depth research on the current status of risk management of overseas operations, promoted overseas operations to strictly implement key points of management, and reasonably adjusted interest rate risk limit system; it also continuously optimised functions of interest rate risk and internal and external pricing management systems, and consolidated the foundation of intelligent and digitalised management. During the reporting period, the results of stress testing indicated that all indicators of the Group were kept within the limits, and the level of interest rate risk was under control.

### Interest rate sensitivity gap analysis

The analysis of interest rate sensitivity gaps of the Group's assets and liabilities by the next expected repricing dates or maturity dates (whichever are earlier) as at the dates indicated is set out below.

| (In millions of RMB) | Non-interest-bearing | Less than three months | Between three months and one year | Between one year and five years | More than five years | Total |
|---|---|---|---|---|---|---|
| Interest rate sensitivity gap as at 31 December 2023 | 256,960 | (4,133,890) | 6,172,381 | (3,989,543) | 4,866,166 | 3,172,074 |
| Accumulated interest rate sensitivity gap as at 31 December 2023 | | (4,133,890) | 2,038,491 | (1,951,052) | 2,915,114 | |
| Interest rate sensitivity gap as at 31 December 2022 | 134,979 | (4,895,657) | 5,495,499 | (2,479,839) | 4,621,262 | 2,876,244 |
| Accumulated interest rate sensitivity gap as at 31 December 2022 | | (4,895,657) | 599,842 | (1,879,997) | 2,741,265 | |

At the end of 2023, the repricing gap of the Group's assets and liabilities with maturities of less than one year was RMB2.04 trillion, an increase of RMB1.44 trillion over 2022, mainly because the growth of loans and advances was faster than that of deposits with maturities of less than one year. The positive gap of the assets and liabilities with maturities of more than one year was RMB876,623 million, a decrease of RMB1.26 trillion from 2022, mainly because the growth of time deposits with maturities of more than one year was faster than that of securities investment as the depositors continued to prefer time deposits with longer maturities.

### Net interest income sensitivity analysis

The net interest income sensitivity analysis is based on two scenarios. The first assumes that all yield curves rise or fall by 100 basis points in a parallel way, while the interest rates for deposits at the PBC remain the same; the second assumes that the interest rates for deposits at the PBC and the demand deposits remain the same, while all the other yield curves rise or fall by 100 basis points in a parallel way.

The change in net interest income of the Group under different scenarios as at the specified dates is set out below.

| | Scenario1: the interest rates for deposits at the PBC being constant | | Scenario2: the interest rates for deposits at the PBC and the demand deposits being constant | |
|---|---|---|---|---|
| (In millions of RMB) | Rise by 100 basis points | Fall by 100 basis points | Rise by 100 basis points | Fall by 100 basis points |
| As at 31 December 2023 | (51,907) | 51,907 | 89,293 | (89,293) |
| As at 31 December 2022 | (62,482) | 62,482 | 81,120 | (81,120) |

## Exchange Rate Risk Management

The Group is exposed to exchange rate risk primarily because of currency mismatch of the assets and liabilities it holds in currencies other than RMB and the positions it takes as a market maker in financial markets. The Group measures and analyses its exchange rate risk by using a combination of methods such as exchange rate risk exposure and stress testing, and controls and mitigates risk by matching its assets and liabilities, setting limits, and hedging.

In 2023, the Group adhered to its prudent and sound exchange rate risk management strategy, continuously paid attention to the domestic and overseas monetary policies environment and the changes of exchange rates of major currencies, and carried out risk screening and stress testing as appropriate. During the reporting period, the Group's exchange rate risk indicators satisfied regulatory requirements. Stress testing results showed that the overall exchange rate risk was under control.

MANAGEMENT DISCUSSION AND ANALYSIS
RISK MANAGEMENT

### Currency concentrations

The Group's currency concentrations as at the dates indicated are set out below.

| | As at 31 December 2023 | | | | As at 31 December 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| (In millions of RMB) | USD (RMB equivalent) | HKD (RMB equivalent) | Others (RMB equivalent) | Total | USD (RMB equivalent) | HKD (RMB equivalent) | Others (RMB equivalent) | Total |
| Spot assets | 1,056,484 | 332,056 | 443,799 | 1,832,339 | 1,030,665 | 332,430 | 374,317 | 1,737,412 |
| Spot liabilities | (1,089,924) | (441,868) | (282,838) | (1,814,630) | (1,000,925) | (349,177) | (227,026) | (1,577,128) |
| Forward purchases | 1,873,971 | 210,735 | 105,261 | 2,189,967 | 1,225,402 | 98,771 | 143,842 | 1,468,015 |
| Forward sales | (1,870,891) | (65,420) | (237,857) | (2,174,168) | (1,267,774) | (46,432) | (269,320) | (1,583,526) |
| Net options position | (12,457) | (1) | (32) | (12,490) | 536 | (144) | 486 | 878 |
| Net(short)/long position | (42,817) | 35,502 | 28,333 | 21,018 | (12,096) | 35,448 | 22,299 | 45,651 |

## OPERATIONAL RISK MANAGEMENT

In 2023, the Group took the opportunity of promoting the implementation of standardised approach for operational risk under Basel III to effectively improve its operational risk management.

Based on the *Capital Rules for Commercial Banks*, the Group strengthened data management of losses from operational risk, established a business indicator management mechanism, and set up an operational risk measurement system under the standardised approach, thus fully reinforcing regulatory compliance. It strengthened business continuity management, and systematically improved the system of rules; it identified the Bank's key businesses and resources, improved management strategies, developed emergency plans and organised emergency drills, so as to consolidate management foundation, enhance operational resilience, and be well prepared for impact of risk events.

The Group produced educational videos on compliance to guide and regulate staff behaviour. It developed a compliance model for staff behaviour and explored intelligent tools to improve its ability to detect noncompliance. It screened and handled certain staff behaviours to mitigate related risks. It also organised dynamic audits on key operational risk items related to employees, with focus on legal case risk prevention and control, staff behaviour management and noncompliance.

## Feature article No. 12: The compliance foundation of digital finance

In order to consolidate the compliance foundation for high-quality development, the Group had built a "4C" digital compliance platform featuring intelligence, agility, precision, efficiency, openness and inclusiveness, by which it developed an all-encompassing direct control compliance mechanism under the overall management of the head office featuring digital intelligence, so as to continuously improve the quality and efficiency of compliance management, effectively implement the goal of full compliance, and ensure the compliance in "digital finance".

The Group built a business compliance platform, enhanced violation monitoring and IT controls over violations, internalised external regulations, and enhanced regulatory compliance to promote the compliant development of businesses. It established a digital monitoring mechanism to fully convert "regulatory requirements" into "system rules". Business compliance models were deployed in key areas such as inclusive finance, green finance and rural finance, to effectively enhance its direct control compliance capabilities. It strengthened joint prevention and control with blacklists, and took risk control measures in a timely manner.

The Group built a behaviour compliance platform to form a staff behaviour management system, so as to promote staff compliance. It established a sound and effective compliance governance system over primary-level entities, and cultivated a culture of "proactive compliance by all employees, and compliance creates value". The Group adopted intelligent approaches to realise online management and smart risk control, and identified problems at early stage and corrected them while they are nascent. It adhered to its "people-oriented" and "primary-level employee first" concept, cared for its employees, and supported their professional growth.

The Group built a compliance platform for AML and financial sanctions, making it possible to apply IT achievements internally and empower clients externally, and fulfilled its responsibilities as a major state-owned bank. It built a compliance IT system for AML and financial sanctions using data and technologies, integrated risk control, workload reduction and efficiency improvement, and assisted in the construction of national governance system to prevent and resolve financial risks. It independently developed a core engine for list monitoring to advance localisation and self-reliance. It took the initiative to strengthen external empowerment and promote co-construction and co-governance so as to build a compliance ecosystem of openness and sharing.

## LIQUIDITY RISK MANAGEMENT

The Board assumes the ultimate responsibility for liquidity risk management, and reviews and approves the liquidity risk strategy and risk appetite. The senior management carries out the liquidity risk strategy set by the Board, and organises the implementation of the liquidity risk management activities. The board of supervisors supervises and evaluates the performance of the Board and senior management in liquidity risk management. Asset & liability management department leads in the Bank's liquidity risk management, and forms an executive body together with business management departments and branches to perform specific duties in liquidity risk management. Each subsidiary assumes the primary responsibility for its own liquidity risk management.

The Group adheres to a liquidity risk management strategy featuring prudence, decentralisation, coordination and diversification. The objective for liquidity risk management is to establish and improve a liquidity risk management system that can fully identify, accurately measure, continuously monitor, and effectively control liquidity risk, effectively balance the return on and security of funds, and safeguard the steady operation across the group. In light of the regulatory requirements, external macro environment and business development, the head office formulates approaches for liquidity risk identification, measurement and monitoring, sets risk limit management criteria, carries out daily liquidity management, periodically conducts stress testing at the group level, and reviews and assesses contingency plans.

In 2023, the Group adhered to the principle of robustness and prudence, proactively responded to dynamics in internal and external capital markets, carefully arranged the total amount and structure of capital sources and utilisation, and firmly safeguarded the bottom line of risks with its liquidity risk stably under control. It gave full play to the buffering role of liquidity reserve, firmly supported business development, and maintained a sound balance between safety, liquidity and profitability. It strengthened coordinated liquidity management at the group level, enhanced the role of coordination mechanism of liquidity management departments, and strengthened refined management of liquidity indicators. It continuously advanced the iteration of liquidity management system, improved automatic data calculation, and strengthened FinTech support for daily management. It also proactively fulfilled obligations of a leading state-owned bank, and played its roles as a market stabiliser and a policy transmitter.

### Stress Testing of Liquidity Risk

The Group conducts quarterly stress testing on its liquidity risk in order to gauge its risk tolerance in unlikely extreme scenarios and other adverse scenarios. It keeps improving its liquidity risk stress testing methods in accordance with regulatory and internal management requirements. According to the stress testing, liquidity risk primarily arises from such major factors and events as a significant drop in liquidation of current assets, a massive outflow of wholesale and retail deposits, falling availability of wholesale and retail financing, shorter financing periods, higher financing costs, significant adverse changes in market liquidity and a sudden breakdown of bank payment and settlement system. The results of stress testing showed that under different stress scenarios, the Group's liquidity risk was under control.

### Indicators of Liquidity Risk Management

The Group adopts liquidity indicator analysis, remaining maturity analysis and undiscounted cash flow analysis to measure its liquidity risk.

The following table sets forth the liquidity ratios and loan-to-deposit ratio of the Group as at the dates indicated.

| (%) | | Regulatory standard | As at 31 December 2023 | As at 31 December 2022 | As at 31 December 2021 |
|---|---|---|---|---|---|
| Liquidity ratio [1] | RMB | ≥25 | 69.20 | 62.94 | 59.32 |
| | Foreign currency | ≥25 | 77.40 | 80.23 | 70.58 |
| Loan-to-deposit ratio [2] | RMB | | 85.12 | 83.62 | 82.28 |

1. Calculated by dividing liquid assets by liquid liabilities in accordance with the requirements of the former CBIRC.
2. Calculated on the basis of domestic legal person in accordance with the requirements of the former CBIRC.

In accordance with the requirements of the *Administrative Measures for Liquidity Risk Management of Commercial Banks*, the liquidity coverage ratio equals to high-quality liquid assets divided by net cash outflows in future 30 days. High-quality liquid assets of the Group mainly include securities guaranteed or issued by sovereign states and central banks with a risk weight of zero or 20%, and central bank reserves that may be used under stress circumstances. The average daily liquidity coverage ratio of the Group in the fourth quarter of 2023 was 133.17%, meeting the regulatory requirements. It increased by 4.28 percentage points over the previous quarter, mainly due to the increase in eligible high-quality liquid assets.

The following table sets forth the liquidity coverage ratio of the Group as at the dates indicated.

| (In millions of RMB, except percentages) | Fourth quarter 2023 | Third quarter 2023 | Second quarter 2023 | First quarter 2023 | Fourth quarter 2022 |
|---|---|---|---|---|---|
| High-quality liquid assets | 5,870,873 | 5,620,675 | 5,563,997 | 5,159,838 | 5,274,586 |
| Net cash outflows | 4,415,336 | 4,380,125 | 3,790,503 | 3,633,738 | 3,543,220 |
| Liquidity coverage ratio (%) [1] | 133.17 | 128.89 | 146.96 | 142.09 | 148.96 |

1. Calculated in accordance with the applicable regulatory requirements, definitions and accounting standards for the period. Each number represents simple arithmetic means of the values for every calendar day in the quarter.

Net stable funding ratio (NSFR) is calculated by dividing available stable funding by the required stable funding. It is used to evaluate whether commercial banks have sufficient and stable funding sources to meet the needs of various assets and off-balance sheet risk exposures. Calculated in accordance with the applicable regulatory requirements, definitions and accounting standards for the current period, the Group's NSFR was 127.32% at the end of 2023, meeting the regulatory requirements. It was 0.45 percentage points lower than that as at 30 September and 2.20 percentage points lower than that as at 30 June, mainly because the required stable funding rose with the increase of eligible high-quality liquid assets.

The following table sets forth the NSFR of the Group as at the dates indicated.

| (In millions of RMB, except percentages) | As at 31 December 2023 | As at 30 September 2023 | As at 30 June 2023 | As at 31 March 2023 | As at 31 December 2022 |
|---|---|---|---|---|---|
| Available stable funding | 27,087,634 | 26,670,148 | 26,887,847 | 26,138,480 | 24,268,376 |
| Required stable funding | 21,275,944 | 20,873,306 | 20,759,870 | 20,128,667 | 18,978,160 |
| NSFR (%) | 127.32 | 127.77 | 129.52 | 129.86 | 127.88 |

Please refer to "Unaudited Supplementary Financial Information" for details of liquidity coverage ratio and net stable funding ratio.

The analysis of the Group's assets and liabilities by remaining maturity as at the dates indicated is set out below.

| (In millions of RMB) | Indefinite | Repayable on demand | Within one month | Between one and three months | Between three months and one year | Between one and five years | More than five years | Total |
|---|---|---|---|---|---|---|---|---|
| Net gaps as at 31 December 2023 | 3,126,852 | (12,622,851) | (762,670) | (768,644) | (122,754) | 1,637,856 | 12,684,285 | 3,172,074 |
| Net gaps as at 31 December 2022 | 2,954,115 | (12,743,290) | (710,112) | (515,443) | (341,415) | 1,818,034 | 12,414,355 | 2,876,244 |

The Group regularly monitored the maturity gaps between its assets and liabilities for various businesses in order to assess its liquidity risk in different time periods. As at 31 December 2023, the cumulative maturity gap of the Group was RMB3.17 trillion, an increase of RMB295,830 million over 2022. The negative gap for repayment on demand was RMB12.62 trillion, a decrease of RMB120,439 million from 2022, mainly due to the enhanced stability of deposits with the customers' increasing preference for time deposits.

## REPUTATIONAL RISK MANAGEMENT

In 2023, the Group adhered to the forward-looking, comprehensive, proactive and effective principle of reputational risk management, strengthened source management of reputational risk, and continued to improve its reputational risk management system and mechanism. It focused on strengthening the working mechanism for emergency response and joint resolution of reputational events, clarified the responsibility for adverse publicity prevention of institutions at all levels, and standardised the path and time limit of public opinion reporting process, so as to enhance its capability in quick response to adverse media coverage. It strengthened the reporting, monitoring and early warning of potential negative publicity, and prevented and mitigated potential risks with emergency plans. During the reporting period, the Group steadily improved its reputational risk management practices and effectively safeguarded its good corporate image and reputation. As a result, no significant reputational incidents occurred.

## COUNTRY RISK MANAGEMENT

In strict compliance with regulatory requirements, the Group incorporates country risk management into the comprehensive risk management system. The Board assumes the ultimate responsibility for the effectiveness of country risk management, and the senior management carries out country risk management policies approved by the Board.

In 2023, the Group continuously optimised its country risk management in line with the needs of business development to address global economic challenges. It managed country risks by extensively applying tools such as assessment and rating, risk limit, exposure analysis, stress testing, monitoring and early warning, and emergency response. It optimised the country risk management system, promptly reviewed country risk ratings, and carried out country risk assessment. It closely monitored country risk exposure, conducted country risk stress testing, and strengthened country risk early warning and emergency response mechanism. The Group's country risk exposure was mainly concentrated in countries or regions with "low" or "relatively low" country risk, and the overall country risk was maintained at a reasonable level.

## IT RISK MANAGEMENT

In 2023, the Group improved the system of rules for IT risk management, upgraded its management framework and whole-process management requirements, and performed IT risk identification, assessment, monitoring, reporting, control and mitigation covering both business and technology across the group. It also refined the system of IT risk assessment indicators, effectively carried out IT risk monitoring and early warning, conducted problem-oriented on-site inspections, and promoted early identification, early warning, early exposure and early resolution of IT risks. The Group attached great importance to cybersecurity, improved its cybersecurity risk monitoring system, conducted all-round, full-chain and real-time monitoring, actively responded to cyberattacks, and effectively addressed cybersecurity risks such as ransomware and data leakage, seeing no cybersecurity incidents throughout the year. It reinforced the top-level design and overall management of IT outsourcing, improved the management mechanism, conducted in-depth supervision and inspection of third-party service providers, and strengthened the risk management and control of IT outsourcing, seeing no IT risk events caused by third-party outsourcing and cooperation throughout the year. It strengthened external IT audit, engaged professional accounting firms to conduct audit, assurance and risk assessment on IT services provided by the head office to overseas institutions, IT controls over personal information protection and SWIFT system, and issue relevant reports. The Group also engaged qualified third-party evaluation institutions to conduct protection capability evaluation for filing systems at or above Grade III in accordance with standards of cybersecurity classified protection for the financial industry and commercial password application of information systems, and achieved excellent results in evaluation.

## STRATEGIC RISK MANAGEMENT

In 2023, the Group strictly implemented regulatory requirements on strategic risk management, continued to improve the strategic risk management framework and optimise management tools for strategic risk identification and assessment, closely tracked external economic and financial environment, and built a strategic risk management system in line with its business scale and product complexity under the leadership of the Board and senior management. The Group's strategic risk remained under control during the reporting period.

## EMERGING RISK MANAGEMENT

As new risks continue to emerge in the wake of digital transformation and accelerated application of FinTech in recent years, commercial banks are facing new challenges in operation and development. The Group attached great importance and actively responded to all kinds of new risks and new forms of traditional risks in the digital era, and continuously enhanced its new risk management capabilities.

In terms of model risk management, the Group continued to improve model risk management mechanism, standardise the process, and refine model risk management. It reviewed models across the group, and initiated ex-post model evaluation to check the condition of all models and find out possible problem or weakness in management. It carried out model validation, and validated 325 important models in 2023. It carried out risk assessment of purchased models and formulated a security assessment scheme for AI models. Moreover, it promoted the construction of IT system for model risk management, and won multiple awards for its self-developed enterprise-wide model management platform.

In terms of data risk management, the Group focused on areas such as strategic transformation, business operation, transaction processing and internal control, formed a management mechanism in which the "three lines of defence" of front, middle and back offices were independent, coordinated and well balanced. It continuously strengthened the application of information technology, conducted data risk and data security assessments, implemented an "enhancement project" for data quality at the group level, and constantly upgraded the capability of data risk control.

In terms of money laundering risk management, the Group strictly implemented regulatory requirements for AML and financial sanctions, and practised "risk-based" management methodologies. It continuously improved its AML management capability by upgrading the AML management system, improving the IT system and strengthening the performance of its core obligations, and gave full play to the dual role of AML in preventing and combating financial crimes, so as to escort the high-quality development of business.

In terms of fraud risk management, the Group actively tracked regulatory requirements and developments, and continuously upgraded the fraud risk management system. It issued fraud risk management measures, strengthened whole-process management, and deepened coordination and interaction across the group. It also improved system functions and upgraded the "toolbox" for fraud risk prevention and control continuously, and actively enhanced its capability to prevent various fraud risks in digitalised operation.

In terms of ESG risk management, the Group continuously improved its ESG risk management system in compliance with regulatory requirements. It issued ESG risk management measures applicable to investment and financing activities, clarified the management responsibilities of the "three lines of defence" of front, middle and back offices, and integrated ESG risk management into the whole process of investment and credit businesses. It carried out ESG rating for corporate customers which was incorporated into its internal rating management system, and established a classification system for ESG risks of customers.

In terms of new product risk management, the Group continuously strengthened the identification of and response to product innovation risks, and revised the risk assessment rules for new products. In accordance with the idea of "full coverage, whole process and all risks", it improved the risk management and control mechanism for product innovation in line with the comprehensive risk management system continuously, established and improved the risk assessment, monitoring and early warning system for new products, so as to balance risk control and business development and enhance the quality and efficiency of product innovation. It improved the compliance review mechanism, strictly followed regulatory guidance, created green channels, improved review efficiency, and supported the rapid release of financial products to serve the real economy.

## Feature article No. 13: Establishing a climate risk stress testing system in line with Chinese conditions and the Bank's actual situations

In recent years, the Bank has actively responded to the regulatory arrangements and actively participated in stress testing of sensitivity to climate transition risks. Up to now, the Bank has carried out stress testing on eight carbon-intensive industries, i.e., thermal power, iron and steel, building materials, petrochemicals, chemicals, papermaking, aviation and non-ferrous metal smelting. In particular, the measurement schemes for the three major industries of thermal power, petrochemicals and aviation have been adopted as general templates for the industries. In 2023, the Bank completed its pilot project for macro scenario stress testing on climate risks, independently developed a climate risk stress testing system in line with Chinese conditions and the Bank's actual situations, and continuously improved the rationality, uniformity and practicability of quantitative analysis of climate risks.

The first was to establish stress testing scenarios of climate risks in line with Chinese conditions. These scenarios are not only in line with China's specific situation, but also in full alignment with the internationally accepted Network of Central Banks and Supervisors for Greening the Financial System ("NGFS"), which integrate multiple factors such as China's economy, energy and carbon emissions, climate and environmental policies, and global climate governance, and cover both transition risks and physical risks. The four scenarios include "Global Warming of 1.5°C", "Global Warming of 2.0°C", existing scenarios and the "3060 targets" (i.e., peaking carbon dioxide emissions by 2030 and achieving carbon neutrality by 2060), which is most in line with China's specific situation, integrates the "1+N" climate policy framework and related policies under the dual carbon targets and forms a set of quantitative index system so as to facilitate decision-making for the Bank in managing and addressing climate risks.

The second was to optimise the stress testing method for transition risks, enabling the stress testing to cover more industries. In terms of drivers of transition risks, in addition to the price of carbon emission rights, the Bank fully incorporated multiple factors such as output, price, raw material cost, energy, fixed asset investment and stranded assets under different carbon reduction recipes, clarified the transmission path of transition pressure from government policies to enterprises and the measurement rules of financial statements, and expanded the testing scope to the upstream and downstream of carbon-intensive industries.

The third was to conduct stress testing of physical risks for the first time. Based on China meteorological data, disaster loss data and the Coupled Model Intercomparison Project Phase 6 (CMIP6) for global climate, the Bank constructed disaster loss curves for different types of disaster-bearing bodies under different scenarios for typhoons, floods and droughts, the three major meteorological disasters, and analysed their impact on the value of real estate collaterals and agricultural production in different regions.

## CONSOLIDATED MANAGEMENT

In 2023, the Bank continuously enhanced consolidated management, reinforced various aspects of the Group's consolidated management, including corporate governance, risk management and capital management, and prevented cross-border and cross-industry business risks, and promoted the high-quality development of subsidiaries.

The Group improved its management structure, incorporated subsidiaries into the business segment operation and management system and promoted business integration of the parent bank and subsidiaries. It continued to streamline equity hierarchy of the Group, and improved penetrated management ability of subsidiaries at all levels. It reviewed its management policy of "different strategies for each subsidiary", and guided its subsidiaries to focus on their main business directions for high-quality development. The Group strengthened the transmission and implementation of its unified risk appetite, implemented a dual risk reporting mechanism for subsidiaries, improved the effectiveness of subsidiaries' business risk source control, and strengthened overall risk management of subsidiaries. It established a "customer-centric" comprehensive financing management mechanism to strengthen integrated and collaborative risk control. It strengthened coordinated management of data requirements of parent bank and subsidiaries, encouraged subsidiaries to accelerate the implementation of data governance measures, and continuously improved the data capability and automation level of subsidiaries. It enhanced monitoring and management of capital adequacy of subsidiaries to push the subsidiaries to constantly meet industry regulatory requirements on capital indicators and maintain a reasonable buffer. It promoted IT integration and the building of data governance system at the group level, and helped its subsidiaries improve capability of self-governance in technology management and data governance.

## INTERNAL AUDIT

The Bank's internal audit is committed to evaluating and supervising the improvement of risk management, control and governance processes, promoting value creation and improving business operation. The internal auditors work in a relatively independent manner and are managed vertically. It is responsible to and reports to the Board and its audit committee, and also reports to the board of supervisors and senior management. In addition to the audit department at the head office, the Bank has 29 audit offices at tier-1 branches and an overseas audit centre in Hong Kong.

Focusing on the goal of "supporting strategy implementation, strengthening governance, preventing risks and promoting development", the internal audit department continuously deepens and improves its coordinated and agile audit mechanisms to cover all relevant aspects, highlight key areas and tackle many similar problems in other areas with one typical audit finding, and covers auditable units of all business segments with its audit procedures. In 2023, the audit procedures covered businesses such as loans to large and medium-sized enterprises, special assets resolution, inclusive finance, personal loans, financial management, key compliance matters, and financial derivatives, and areas such as market risk management, investment banking, channel and operation management, foreign exchange, and FinTech, and covered subsidiaries and overseas institutions on a cyclical basis. The internal audit department performed in-depth study and analysis on the underlying causes of identified issues, adopted a problem-oriented approach to strengthen systematic and fundamental rectification, and continuously upgraded management mechanisms, business processes and internal management so as to facilitate the sound operation and management of the Group.

## Q & A  Q&A with Senior Management

Q: Would you please share some good practices of CCB's risk management in supporting technology finance?

Mr. Li Min, the executive vice president: As the only banking financial institution participating in the pilot reform of sci-tech achievement evaluation, the Bank took solid actions to fulfil its duties and missions, actively implemented the national innovation-driven development strategy, and thoroughly carried out the spirit of the Central Financial Work Conference. Poised to improve the financial support system for sci-tech innovation, the Bank innovatively developed a multi-layer risk assessment tool system, strengthened the risk management of equity-debt linkage business, and promoted the high-quality development of technology finance. It developed "STAR", an evaluation tool designed for non-retail sci-tech enterprises, and integrated it into the client internal rating system; it developed retail credit risk rating scorecards for small and micro sci-tech innovation enterprises, and reinforced risk management for equity-debt linkage business of sci-tech innovation enterprises and enterprises in the strategic emerging industries, so as to enhance the Bank's capabilities to support sci-tech innovation.

MANAGEMENT DISCUSSION AND ANALYSIS

# CAPITAL MANAGEMENT

The Group adhered to a robust and prudent capital management strategy, continued to strengthen capital constraints and incentives and further promoted intensive and refined capital management so as to continuously improve the efficiency of capital use. It attached importance to both internal capital accumulation and external capital replenishment, and maintained a capital adequacy level that is constantly above the regulatory requirements and among the highest in the industry.

## CAPITAL ADEQUACY RATIOS

### Capital Adequacy Ratios

In accordance with the regulatory requirements, the scope for calculating capital adequacy ratios of the Group includes the Bank's domestic and overseas branches and sub-branches and financial subsidiaries (insurance companies excluded). At the end of 2023, given relevant rules during the parallel period, the Group's total capital ratio, Tier 1 ratio and Common Equity Tier 1 ratio, which were calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*, were 17.95%, 14.04% and 13.15%, respectively, all in compliance with the regulatory requirements. The Group's total capital adequacy ratio, Tier 1 capital adequacy ratio and Common Equity Tier 1 capital adequacy ratio fell by 0.47, 0.36 and 0.54 percentage points respectively from 2022.

In 2023, the Bank adhered to a robust and prudent capital management strategy, which attached importance to both internal capital accumulation and external capital replenishment, and maintained a stable capital structure and high capital quality through profit retention and issuance of an appropriate amount of capital instruments, so as to effectively support the development of various businesses. It actively served the real economy, seeing rapid growth in core assets including credit extension and bond investment. It also further promoted intensive and refined capital management, and enhanced the efficiency of capital use to continuously improved the quality and efficiency to serve the real economy.

The following table sets forth the information on capital adequacy ratios of the Group and the Bank as at the dates indicated.

| | As at 31 December 2023 | | As at 31 December 2022 | |
|---|---|---|---|---|
| (In RMB millions, except percentages) | The Group | The Bank | The Group | The Bank |
| Common Equity Tier 1 capital after regulatory adjustments | 2,944,386 | 2,749,566 | 2,706,459 | 2,529,274 |
| Tier 1 capital after regulatory adjustments | 3,144,474 | 2,935,569 | 2,846,533 | 2,655,737 |
| Total capital after regulatory adjustments | 4,020,661 | 3,795,909 | 3,640,438 | 3,434,205 |
| Common Equity Tier 1 ratio (%) | 13.15 | 13.03 | 13.69 | 13.67 |
| Tier 1 ratio (%) | 14.04 | 13.91 | 14.40 | 14.35 |
| Total capital ratio (%) | 17.95 | 17.98 | 18.42 | 18.56 |

Please refer to Note "Risk management – Capital management" to the financial statements for details of composition of capital.

### Risk-Weighted Assets

In addition to the approval for the Group to implement the advanced capital management method in 2014, the former CBIRC approved the Group to expand the implementation scope of the method in April 2020. The Group calculated the capital requirements for financial institution credit exposures and corporate credit exposures that meet regulatory requirements with the foundation internal ratings-based approach, the capital requirements for retail credit exposures with the internal ratings-based approach, the capital requirements for market risk with the internal models approach, and the capital requirements for operational risk with the standardised approach. Pursuant to the regulatory requirements, the Group calculates capital adequacy ratios with both the advanced approach and other approaches for capital measurement, and complies with the relevant requirements for capital floors.

The following table sets forth information on the Group's risk-weighted assets.

| (In RMB millions) | As at 31 December 2023 | As at 31 December 2022 |
|---|---|---|
| Credit risk-weighted assets | 20,839,827 | 18,293,631 |
| Covered by the internal ratings-based approach | 14,247,420 | 12,514,218 |
| Uncovered by the internal ratings-based approach | 6,592,407 | 5,779,413 |
| Market risk-weighted assets | 148,487 | 115,816 |
| Covered by internal models approach | 110,517 | 72,327 |
| Uncovered by the internal models approach | 37,970 | 43,489 |
| Operational risk-weighted assets | 1,407,594 | 1,358,387 |
| Additional risk-weighted assets due to the application of capital floors | – | – |
| Total risk-weighted assets | 22,395,908 | 19,767,834 |

For more details about capital composition and capital measurement and management, please refer to *Capital Adequacy Ratio Report* 2023 published by the Bank.

## LEVERAGE RATIO

The Group calculated leverage ratio in accordance with regulatory requirements from the first quarter of 2015. The leverage ratio refers to the ratio of the net amount of Tier 1 capital to the adjusted balance of on- and off-balance sheet assets. The leverage ratio of commercial banks should be no less than 4%. As at 31 December 2023, the Group's leverage ratio was 7.83%, meeting the regulatory requirements.

The following table sets forth the information related to the Group's leverage ratio.

| (In millions of RMB, except percentages) | As at 31 December 2023 | As at 30 September 2023 | As at 30 June 2023 | As at 31 March 2023 | As at 31 December 2022 |
|---|---|---|---|---|---|
| Leverage ratio (%) | 7.83 | 7.73 | 7.30 | 7.57 | 7.85 |
| Tier 1 capital after regulatory adjustments | 3,144,474 | 3,070,791 | 2,928,140 | 2,932,410 | 2,846,533 |
| On and off-balance sheet assets after adjustments | 40,137,194 | 39,712,910 | 40,114,735 | 38,738,624 | 36,270,300 |

For the details of leverage ratio, please refer to "Unaudited Supplementary Financial statements".

# DISCUSSIONS ON KEY TOPICS IN BUSINESS DEVELOPMENT

## PROGRESS ON THE IMPLEMENTATION OF THE CAPITAL RULES FOR COMMERCIAL BANKS

In November 2023, the NFRA and the PBC jointly issued the *Capital Rules for Commercial Banks* ("new capital rules"), which took effect in 2024. The new capital rules built a differentiated capital regulatory framework and revised the system of rules for "Three Pillars", providing important guidance for China's commercial banks to strengthen their capital and risk management and serve as the main force to support the real economy and safeguard financial stability.

The Group prepared for the implementation of the new capital rules in an orderly manner. It established a four-level architecture system of "the Board – management – head office departments – branches and sub-branches" with clear division of responsibilities, comprehensively reviewed the policies and process systems, fully integrated the implementation of the new capital rules into business operations, and achieved IT controls in operation, so as to effectively support branches and sub-branches in customer selection, business marketing and risk monitoring and management. It further promoted the optimisation and application of the measurement model system, and established a complete internal rating model system covering credit, investment and trading business of financial institutions as well as corporate and personal customers, and fully integrated into the credit, investment and trading process. It focused on consolidating the foundation of digitalised operation by promoting the construction and implementation of risk-weighted assets measurement system and the "Blue Chip" market risk management project, and enhanced the ability to control the core technologies independently. It also continued to strengthen fundamental data governance, improve the quality of key data in capital measurement, and support the refined measurement and management of regulatory capital across the group. The Group steadily pressed ahead with all tasks under the new capital rules, and took this opportunity to strengthen its professional, refined and intelligent risk management continuously.

From the first quarter of 2024, the Group will measure capital adequacy ratios for the Group and the Bank in accordance with the new capital rules and disclose the Pillar 3 information of capital management in the form of an independent report. Next, the Group will adhere to its robust and prudent capital management strategy, continue to deepen the intensive capital management, actively wield the guiding role of capital, promote the continuous improvement of business structure, customer structure, and collateral structure pursuant to the new capital rules, and improve the efficiency of capital use. It will enhance the regulatory capital planning and appraisal management mechanism, and fully inform operating institutions at all levels of the capital adequacy ratios management requirements. It will continue to increase its efforts in training and implementation of the new capital rules to enhance the policy understanding and implementation capabilities of operating institutions.

## FINANCIAL SUPPORT TO THE PRIVATE ECONOMY

The Group firmly implemented decisions and arrangements of the CPC Central Committee and the State Council, and fully supported the high-quality development of the private economy. After the issuance of the *Opinions of the CPC Central Committee and the State Council on Boosting the Growth of the Private Economy* in July 2023, CCB took immediate actions to research and formulate an action plan to support the growth of the private economy, covering 21 measures in three aspects. The Group maintained the continuity and stability of existing policies regarding fairness orientation, due diligence and exemption from punishment, and market pricing that private enterprises are generally concerned about. In addition, it further expanded the coverage of market entities, and gave full play to CCB's strength as a group to meet the needs of corporate credit, bond, and equity investment and financing in the fields of sci-tech innovation, supply chain, participation in major strategies and "Going Global". It deepened its cooperation with the All-China Federation of Industry and Commerce ("ACFIC") in the areas of direct information exchanges between the Bank and enterprises, training on credit service, and assistance to enterprises in difficulty. In light of regulatory requirements, the Bank also formulated targeted measures to strengthen financial support and boost the growth of the private economy. It focused on strengthening unified deployment, improving the long-term mechanism of "increasing confidence and willingness to grant loans to private enterprises", giving full play to the Group's comprehensive operating advantages, improving cross-border financial and foreign exchange facilitation services, and strengthening supporting measures for implementation, so as to ensure that the policies accurately benefit private enterprises. At the end of 2023, the Bank's loans to private enterprises amounted to RMB5.40 trillion, an increase of RMB951,216 million or 21.39% over 2022.

For the next step, the Group will focus on key areas, press ahead with supply chain innovation and expansion, optimise the loan renewal process for key products, promote the "Xinyidai" model, and strengthen performance appraisal and special evaluation, so as to further promote the development and growth of the private economy.

## FINANCIAL SUPPORT TO THE REAL ESTATE SECTOR

The Group conscientiously adopted the guiding principles of the Central Financial Work Conference and the Central Economic Work Conference, implemented regulatory requirements, actively promoted a virtuous cycle of financial and real estate sector, and helped to build a new model of real estate development.

**Supporting the reasonable demand for residential mortgages.** The Bank actively adapted to the significant changes in the real estate supply and demand, implemented differentiated housing credit policies in line with conditions in different cities, and supported the necessity and upgrading purchase demands. At the end of 2023, the Bank's domestic residential mortgages totalled RMB6.39 trillion, which played a positive role in serving people's livelihood and satisfying housing needs. The Bank actively and steadily completed the interest rate adjustment for outstanding residential mortgages, effectively alleviating residents' pressures of housing loan cost. The Bank continued to carry out risk monitoring and mitigation, and maintained stable asset quality of residential mortgages. It implemented and improved the real estate enterprise supervision rules and related fund supervision, and optimised the supervision services for advance funds continuously by leveraging its digital housing planning framework.

**Stabilising supply of corporate loans for real estate sector.** The Bank actively supported housing demand for necessity and upgrading purchase demands, and maintained the steady growth of real estate credit. It met the reasonable financing needs of real estate enterprises of different ownership without discrimination, and promoted the steady and healthy development of the real estate market. At the end of 2023, the Bank's domestic real estate loans amounted to RMB853,956 million, an increase of RMB83,281 million or 10.81% over 2022. It took the lead among peers to hold a bank-enterprise symposium to support the reasonable financing needs of real estate enterprises, to help stabilise market expectations.

**Pressing ahead with housing rental strategy.** The Bank further strengthened financial support for government-subsidised rental housing, stimulated new momentum for corporate housing rental, and promoted the high-quality development of the business. By the end of 2023, CCB Housing Rental Fund had signed acquisition contracts for 25 projects with assets of RMB11,889 million, and the Bank's loans for corporate housing rental amounted to RMB325,448 million, an increase of RMB83,256 million or 34.38% over 2022. It actively promoted the application for issuance of the public REITs for the Group's self-owned government-subsidised rental housing projects, with CCB Housing as the original owner, and applied for the issuance of infrastructure public REITs with the government-subsidised rental housing projects held and operated by CCB Housing, so as to reactivate the existing assets in a market-oriented manner and promote a virtuous cycle of financial resources and social capital, which has been accepted by the CSRC and Shanghai Stock Exchange.

**Supporting reasonable financing needs of the real estate sector with multiple tools and methods.** Based on principles of compliance with laws and regulations, sound risk management, and commercial sustainability, the Bank supported the financing needs of high-quality leading real estate enterprises through various means such as underwriting debt financing instruments and granting Merger and Acquisition (M&A) loans. In 2023, it underwrote RMB10,625 million debt financing instruments for real estate enterprises and completed seven M&A transactions with a financing amount of RMB4.2 billion.

## E-CNY PILOTS AND PROMOTION

In 2023, the Bank made new progress in its R&D pilot project of e-CNY under the unified organisation of the PBC. The Bank completed R&D tasks of the PBC at a high level, and innovated and expanded the application of CCB. It accelerated the expansion of key scenarios, and deepened the penetration of corporate banking applications in scenarios such as fiscal fund appropriation, payroll agency, taxation, non-tax revenue collection, land auction deposit, and housing provident fund, and paid RMB51,570 million in taxes and RMB361 million in housing provident fund with e-CNY throughout the year. It assisted seven non-designated commercial banks opening e-CNY cash pools in the Bank to access the interconnection platform of the PBC and cooperated with 44 non-designated commercial banks. It enabled corporate customers to buy WMPs with e-CNY via corporate mobile banking and online banking, and the amount of WMPs bought in e-CNY totalled RMB789 million in 2023. It used smart contract technology to explore and promote the first pilot project for penetrating distribution scenarios of agricultural subsidies in China. It promoted the interconnection between e-CNY personal wallets and electronic payment tools, distributing 70.75 million coupons worth RMB693 million, and driving 17.55 million consumer transactions of RMB1,250 million. The Bank maintained a leading position in terms of the major pilot e-CNY indicators, and outperformed its domestic peers in terms of monthly active corporate wallets and cumulative number of transactions. It continued to improve its risk prevention and control capabilities, promoted the centralised operation of its e-CNY risk models, and built 65 risk monitoring models based on the enterprise-level gambling and fraud risk monitoring system, controlling 420 thousand suspicious wallets and suspected fraud-related funds of RMB37.60 million.

In the next step, under the guidance of the PBC, the Bank will continue to strengthen the construction of e-CNY acceptance environment, improve the application ecology of e-CNY, and continue to advance application innovation so as to give the unique advantages and function of e-CNY to full play.

**Case story No. 7:**

### Cases of e-CNY application

**Government affairs application practice**

In 2023, the Bank's Suzhou Branch used e-CNY to serve the local digital government, and exerted efforts in various fields such as non-tax revenue collection, taxation, social security, government procurement, financial payment, agency disbursement, payment of party membership dues, and public resources. With the qualification for the collection of non-tax revenue in e-CNY, it completed the first collection of land transaction revenue in e-CNY, realised the first social security fund disbursement in e-CNY, empowered the first e-CNY application scenario in the field of procurement by Party and government agencies, conducted the first integrated fiscal budget payment in e-CNY, and enabled the first e-CNY transaction of state-owned property rights in China. It registered 16 e-CNY land auction deposits of RMB2,030 million, 100 thousand e-CNY financial payments of RMB23,011 million, and 3,495 e-CNY non-tax revenue payments of RMB95.44 million.

**Interbank cooperation practice**

The Bank's Beijing Branch, together with the Bank of Beijing and a chain supermarket, successfully rolled out the "e-CNY Meitong Card", which deploys smart contracts based on the Bank's e-CNY wallet, enabling smart payment based on different conditions, such as time, scenario, and user. Card buyers are able to use the cards through online app and offline self-service machines. Compared with the traditional prepaid card, the "e-CNY Meitong Card" is featured by "one settlement for each order" and "real-time consumer fund transfer", which effectively ensures the fund security for card buyers, meets the needs of merchants for prepaid card issuance, and provides an innovative solution to prevent merchants from misappropriating funds and protect users' rights and interests.

## ASSET QUALITY

In 2023, the Group followed the overarching principle of pursuing progress while ensuring stability, adhered to bottom line thinking and limit thinking, continued to strengthen credit risk management, reinforced whole-process management and control, effectively responded to various risks and challenges, and firmly safeguarded the lifeline of asset quality. It consolidated asset quality foundation, maintained stable operation, and ensured that key indicators remain coordinated and balanced.

The Group adhered to forward-looking and proactive management and control of asset quality. It clarified the management responsibilities of "three lines of defence", objectively recognised potential risks, grasped the law of risks, strengthened customer-oriented coordinated management of credit risk, strictly and accurately carried out risk classification management, increased its efforts in the disposal and resolution of non-performing assets, reinforced cross-cyclical asset quality management, and achieved smooth operation in complex situations. It adhered to the high-quality implementation of ECL approach, made timely and adequate provisions, and maintained sufficient risk mitigation capabilities. At the end of 2023, the Group's NPLs amounted to RMB325,256 million, an increase of RMB32,431 million over 2022. The NPL ratio was 1.37%, a decrease of 0.01 percentage points from 2022. In 2023, the Group's provisions for credit impairment losses on loans and advances to customers totalled RMB144,682 million, an increase of RMB4,941 million over 2022, and the ratio of allowances to NPLs was 239.85%, a decrease of 1.68 percentage points from 2022.

The Group effectively prevented and resolved risks in key areas. It provided reasonable financial support to the real estate sector, implemented city-specific measures, supported housing demands for necessity and improvement, met the reasonable financing needs of real estate enterprises of different ownership without discrimination, supported the improvement of assets and liabilities of high-quality real estate enterprises, and supported the reasonable renewal of development loans and trust loans to real estate enterprises on the premise of ensuring debt security. It provided financial services to ensure timely housing project delivery in accordance with the market-oriented and law-based principles, and actively and prudently carried out local government debt risk mitigation. It strengthened the risk management of small and medium-sized financial institutions, formulated the risk policy and limit plan for financial institutions, clarified the access criteria of credit approval and differentiated management and control requirements, continuously improved the framework of the financial institutional business risk management, regularly screened potential risks, and strictly managed high-risk areas and customers. At the end of 2023, risk management and control in key areas was in line with expectations.

Against the backdrop of complex and challenging external environment, the Group will continue to pursue high-quality development, adopt goal-oriented and problem-oriented approaches, balance the relationship between fast and stable development, effectively achieve early risk identification, early warning, early exposure and early disposal, steadily and orderly mitigate risks, and give full play to its role of "stabiliser" and "anchor" as a large state-owned commercial bank.

MANAGEMENT DISCUSSION AND ANALYSIS

# PROSPECTS

Looking forward to 2024, the complexity, severity and uncertainty of the external environment will further intensify, and the impact of the continuous downturn in global trade, macro-policy uncertainty in developed economies and geopolitical risks on economic growth still requires attention. The favourable factors for China's development overweigh the unfavourable ones, and the positive economic prospect in the long run remains unchanged.

Amid the complex and challenging operating environment, China's banking industry faces both challenges and opportunities. On the one hand, the lagging impact of high interest rates in developed economies will still exist. As an important year for global elections, the year 2024 may witness increasing uncertainty in the world political and economic landscape. China is experiencing insufficient effective domestic demand, overcapacity in certain industries, relatively weak social expectations, bottlenecks in domestic circulation, and pressures on the overall net interest margin of the banking industry. On the other hand, China has been comprehensively deepening reform and opening-up, stepping up macro-control efforts, focusing on bolstering domestic demand, optimising structure, boosting confidence, and preventing and mitigating risks, and steadily promoted high-quality development. Key national strategies, key areas and weak links, including infrastructure, strategic emerging industries, domestic demand expansion, rural revitalisation, coordinated regional development and opening-up, have vast space for the banking industry to provide high-quality financial services. Sci-tech innovation, advanced manufacturing, green development and small and medium-sized enterprises also usher in great development opportunities.

In 2024, the Group will persist in pursuing progress while ensuring stability, hold to its main responsibilities, continuously optimise and consolidate its main businesses to enhance value creation, coordinate development and security, continue to enhance "Three Capabilities" of serving national construction, preventing financial risks and participating in international competition, and take the path of financial development with Chinese characteristics. The Group will focus on the following priorities: **Firstly, the Group will continue to promote the development of the real economy and fully serve national strategies.** It will exert coordinated efforts in the "Five Major Chapters", cultivate its advantages in technology finance, advance green financial services, deepen inclusive finance, build the brand of aging finance, and enhance its capabilities of digital finance. It will give full play to the Bank's professional advantages in housing and infrastructure to accelerate the formation of a financial service system that supports the construction of government-subsidised housing, and public infrastructure for both normal use and emergency use, and urban village renovation. It will deeply serve national strategies, increase its support for the construction of the national strategic hinterland, and enhance coordinated financial services for new-type urbanisation and comprehensive rural revitalisation to promote the integrated development of counties, urban and rural areas. **Secondly, the Group will scientifically promote balanced development and effectively improve the quality and efficiency of operation.** It will strive to optimise the asset structure, maintain a reasonable growth in total assets, vigorously promote the credit structure adjustments, focus on key areas such as sci-tech innovation, advanced manufacturing, green development and micro, small and medium-sized enterprises, and maintain the stability and sustainability of credit supply. It will focus on improving the quality of liabilities by enhancing its capability to achieve the steady growth of various deposits, vigorously increasing low-cost settlement funds, and pursuing the establishment of an enterprise-level fund circulation system. It will also strive to strengthen capital management and promote the deep integration of the implementation of new capital rules and its business operations. Moreover, it will make efforts to stabilise its profitability, consolidate the base of net interest income by optimising its asset and liability structure and strengthening integrated and differentiated pricing management, vigorously expand the growth points of non-interest income, and further reduce cost and raise efficiency. **Thirdly, the Group will comprehensively consolidate the business foundation and enhance the comprehensive service ability.** It will enhance the corporate customer group operation, optimise the personal customer operation model, and consolidate the financial institution customer base. It will strengthen the supply of key products and services. For corporate finance business segment, it will comprehensively enhance its capabilities of treasury management services, and expand cash management products and application scenarios; for personal finance business segment, it will enhance its capabilities of providing consumer finance and wealth management services, and speed up the innovation of personal consumer loan products; for treasury and asset management business segment, it will improve the suitability of products and services to investors, and fully meet the comprehensive investment and financing needs of customers. It will improve the quality of comprehensive services, focusing on the "Four Integrations" of assets and liabilities, "commercial banking + investment banking", RMB and foreign currencies, and allocation and services. It will promote the synergy and integration of the Group, and focus on the "Four Synergies" of cross-segmental coordination, parent-subsidiary coordination, channel coordination, and collaboration of domestic and overseas operations. **Fourthly, the Group will strengthen support functions and improve the efficiency of operation and management.** It will continue to optimise business processes and accelerate the intensive transformation of its operating model. The Group will strengthen FinTech empowerment, accelerate the promotion and application of AI technology in customer service and business process, and ensure data quality and security. It will also strengthen the customer service team and the team of investment research experts on wealth management. **Fifthly, the Group will firmly safeguard the bottom line of risks and effectively prevent and resolve risks.** It will increase its efforts in asset quality management and control, and actively manage asset quality in a forward-looking manner. It will properly mitigate risks in key areas, effectively and orderly support the resolution of local government debt risks, and prudently resolve risks in the real estate sector. It will continue to strengthen emerging risk management such as cyber security and data risks. It will improve the comprehensive risk management system, continuously enhance risk governance capabilities of the Bank's grassroots institutions, deepen the Group's integrated control of credit risks, and effectively carry out compliance management.

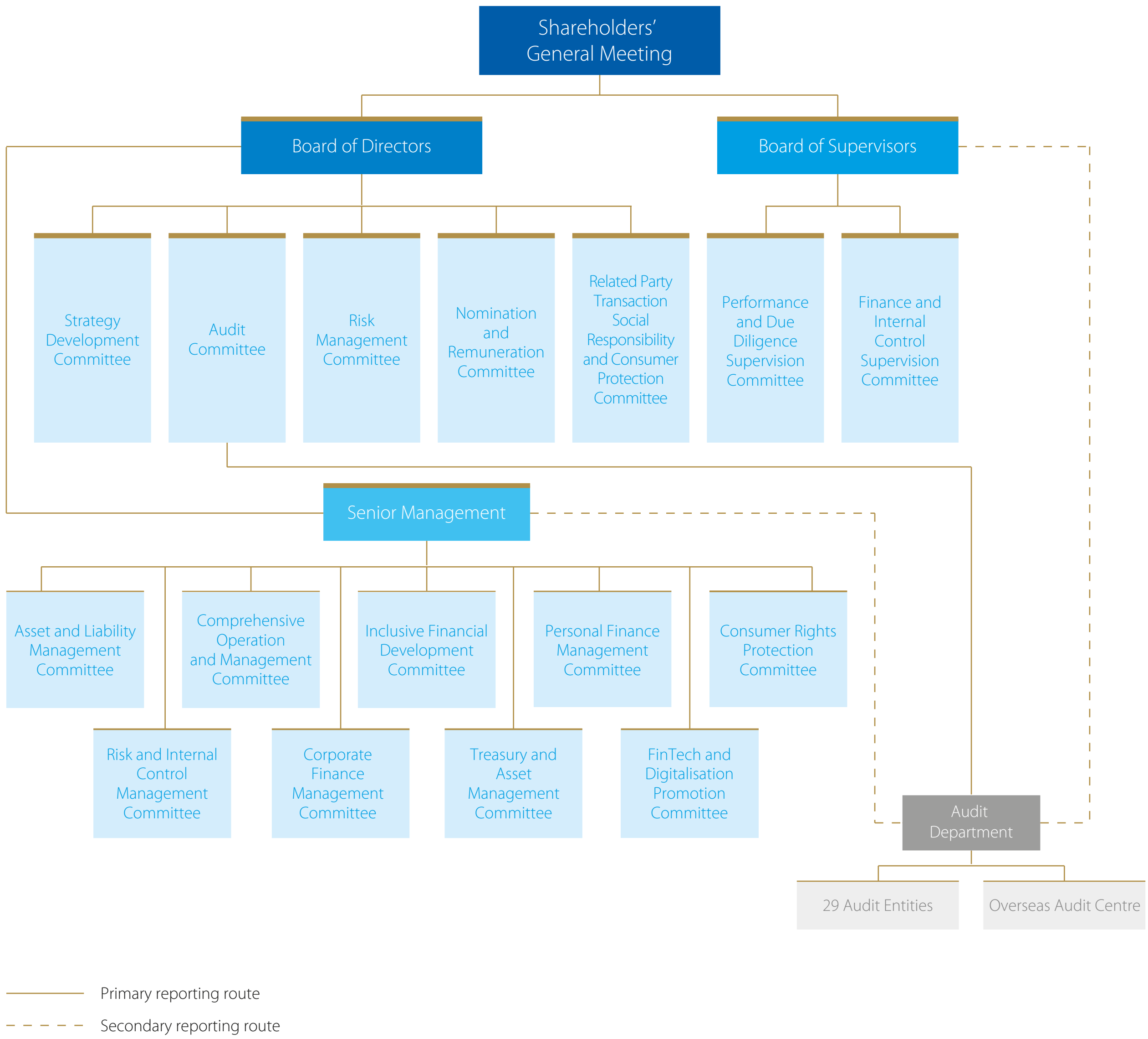
# CORPORATE GOVERNANCE REPORT

During the reporting period, the Bank strictly implemented the PRC Company Law, Law on Commercial Banks and other laws and regulations, as well as the listing rules of the stock exchange of listing venue. It has fully complied with the code provisions as set out in Part 2 of the *Corporate Governance Code* of Appendix C1 to Listing Rules of Hong Kong Stock Exchange, and substantially adopted the recommended best practices therein.

## CORPORATE GOVERNANCE STRUCTURE

In accordance with national laws and regulations, the latest regulatory requirements of banking regulatory authorities and securities regulatory authorities, and taking into account its strategic development and operational management needs, the Bank comprehensively reviewed and amended the Articles of Association and went through corporate governance approval procedures. On 3 January 2024, the NFRA approved the amended Articles of Association, which took effect on the date of approval.

The Bank enhanced the organic integration of Party leadership and corporate governance, continuously improved its corporate governance mechanism, optimised the authorisation management system, enhanced mechanisms for risk control, checks & balances and supervision, and incentives and constraints, clarified the boundaries of responsibilities and performance requirements of each governance body, and built a multi-level communication and coordination mechanism among governance bodies, in a bid to make corporate governance more scientific, sound and effective.



## SHAREHOLDERS' GENERAL MEETING

### Powers of Shareholders' General Meeting

The shareholders' general meeting is the authoritative body of the Bank and mainly exercises the following functions:

- deciding on the business strategies and investment plans of the Bank;
- electing and changing directors and supervisors (except for employee representative supervisors), and determining the remuneration of relevant directors and supervisors;
- considering and approving the Bank's annual financial budgets, final accounts, profit distribution plans and loss recovery plans;
- adopting resolutions related to matters including the increase or reduction of registered capital, and merger, split, dissolution, liquidation and change in corporate form of the Bank;
- adopting resolutions related to the issuance and listing of corporate bonds or other marketable securities;
- adopting resolutions related to the material acquisitions and repurchase of the Bank's shares;
- adopting resolutions related to the Bank's engagement or removal of the accounting firm that conducts regular statutory audit on the financial reports of the Bank;
- deciding on the issuance of preference shares; deciding or authorising the Board to decide on the matters relating to the issued preference shares by the Bank, including but not limited to repurchase, conversion and dividend distribution;
- amending the Articles of Association and other basic corporate governance documents of the Bank.

### Details of Shareholders' General Meetings Convened

On 19 December 2023, the Bank held the second extraordinary general meeting of 2023, which reviewed and approved proposals including remuneration distribution and settlement plan for directors for the year 2022, remuneration distribution and settlement plan for supervisors for the year 2022, adding quota for charitable donations in 2023, and amendments to the plan on authorisation of the shareholders' general meeting to the board of directors. The executive directors, namely Mr. Tian Guoli, Mr. Zhang Jinliang, Mr. Cui Yong and Mr. Ji Zhihong, the non-executive directors, namely Ms. Shao Min, Mr. Tian Bo, Mr. Xia Yang, Ms. Liu Fang and Ms. Li Lu, and the independent non-executive directors, namely Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler, Mr. Michel Madelain, Mr. William Coen, Mr. Leung Kam Chung, Antony and Lord James Meyer Sassoon attended the meeting. The directors' attendance rate was 100%. The domestic and international auditors of the Bank, and the legal advisors as to PRC laws and Hong Kong laws of the Bank attended the meeting. The convening of this shareholders' general meeting was in compliance with procedures prescribed by relevant laws and regulations. The announcement on the resolutions of the meeting was published on the websites of Shanghai Stock Exchange, "HKEXnews" of Hong Kong Exchanges and Clearing Limited and the Bank on 19 December 2023, and on the Bank's designated newspapers for information disclosure on 20 December 2023.

On 29 June 2023, the Bank held the 2022 annual general meeting, which reviewed and approved proposals including the 2022 report of the board of directors, 2022 report of the board of supervisors, 2022 final financial accounts, profit distribution plan for 2022, 2023 fixed assets investment budget, capital planning for the period from 2024 to 2026, engagement of external auditors for 2023, election of executive director, non-executive directors, independent non-executive director and external supervisors, and issuance of qualified write-down tier-2 capital instruments. The executive directors, namely Mr. Tian Guoli, Mr. Zhang Jinliang, Mr. Cui Yong and Mr. Ji Zhihong, the non-executive directors, namely Mr. Xu Jiandong, Mr. Tian Bo, Mr. Xia Yang, Ms. Shao Min, Ms. Liu Fang and Ms. Li Lu, and the independent non-executive directors, namely Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler, Mr. Michel Madelain, Mr. William Coen and Mr. Leung Kam Chung, Antony attended the meeting. The directors' attendance rate was 100%. The domestic and international auditors of the Bank, and the legal advisors as to PRC laws and Hong Kong laws of the Bank attended the meeting. The convening of this shareholders' general meeting was in compliance with procedures prescribed by relevant laws and regulations. The announcement on the resolutions of the meeting was published on the websites of Shanghai Stock Exchange, "HKEXnews" of Hong Kong Exchanges and Clearing Limited and the Bank on 29 June 2023, and on the Bank's designated newspapers for information disclosure on 30 June 2023.

On 20 March 2023, the Bank held the first extraordinary general meeting of 2023, which reviewed and approved the proposal on election of executive directors. The executive directors, namely Mr. Tian Guoli and Mr. Zhang Jinliang, the non-executive directors, namely Mr. Xu Jiandong, Mr. Tian Bo, Mr. Xia Yang, Ms. Shao Min, Ms. Liu Fang and Ms. Li Lu, and the independent non-executive directors, namely Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler, Mr. Michel Madelain, Mr. William Coen and Mr. Leung Kam Chung, Antony attended the meeting. The directors' attendance rate was 100%. The domestic and international auditors of the Bank, and the legal advisors as to PRC laws and Hong Kong laws of the Bank attended the meeting. The convening of this shareholders' general meeting was in compliance with procedures prescribed by relevant laws and regulations. The announcement on the resolutions of the meeting was published on the websites of Shanghai Stock Exchange, "HKEXnews" of Hong Kong Exchanges and Clearing Limited and the Bank on 20 March 2023, and on the Bank's designated newspapers for information disclosure on 21 March 2023.

## BOARD OF DIRECTORS

### Responsibilities of the Board

The Board is the executive body of and is responsible to the shareholders' general meeting. It mainly performs the following functions:

- convening the shareholders' general meeting and reporting to the shareholders' general meeting;
- implementing the resolutions of the shareholders' general meeting;
- determining the Bank's development strategies, and supervising the implementation of the development strategies;
- deciding on the Bank's business plans, investment plans and risk capital allocation plans;
- formulating the Bank's annual financial budget plans, final account plans, profit distribution plans and loss recovery plans;
- formulating plans related to the increase or reduction of registered capital, capital replenishment plan, the issuance and listing of the Bank's convertible bonds, subordinated bonds, corporate bonds or other marketable securities; and plans related to merger, split, dissolution, liquidation and change in corporate form of the Bank;
- formulating plans related to the Bank's material acquisitions and repurchase of the Bank's shares;
- other powers stipulated by the Articles of Association of the Bank and authorised by the shareholders' general meeting.

### The Board's Implementation of Resolutions of the General Meetings of Shareholders

In 2023, the Board earnestly implemented the resolutions approved by the shareholders' general meetings, including the profit distribution plan for the year 2022, 2023 fixed assets investment budget, remuneration distribution and settlement plan for directors and supervisors for the year 2022, adding quota for charitable donations in 2023, and engagement of external auditors for 2023.

## Composition of the Board

At the end of 2023, the Board consisted of 15 directors, including four executive directors, namely Mr. Tian Guoli, Mr. Zhang Jinliang, Mr. Cui Yong and Mr. Ji Zhihong; five non-executive directors, namely Ms. Shao Min, Mr. Tian Bo, Mr. Xia Yang, Ms. Liu Fang and Ms. Li Lu; and six independent non-executive directors, namely Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler, Mr. Michel Madelain, Mr. William Coen, Mr. Leung Kam Chung, Antony and Lord Sassoon.

The term of office of directors of the Bank is three years, and directors may be re-elected upon expiration of their terms of office.

The Bank formulated the diversity policy for the Board in August 2013. The Board nominates directors with due regard to their professional capabilities and ethical standards, while also taking into full consideration the complementarity of gender, age, location, cultural and educational backgrounds as well as knowledge and professional experience from different sectors. The final decision should be based on the candidates' overall competence and possible contributions to the Board. The nomination and remuneration committee is responsible for supervising the implementation of the Board's diversity policy.

The Bank seeks to continuously enhance the Board's professional capabilities and structural reasonableness to achieve optimum combination of board members that matches the development strategies of the Bank, which vigorously supports the efficient operation and scientific decision-making of the Board. The executive directors of the Bank have rich experience in strategy research and analysis, macroeconomic studies as well as bank operation and management with macro views; the non-executive directors have rich experience in macroeconomic studies, national financial capital management, risk management, finance, accounting and other special fields from holding important positions with government departments, financial regulatory authorities or commercial banks; the independent non-executive directors come from areas including America, Europe, Oceania, Hong Kong SAR, and are familiar with international accounting standards, capital supervision, credit rating and financial market rules. The audit committee, the risk management committee, the nomination and remuneration committee and the related party transaction, social responsibility and consumer protection committee of the Board of the Bank are all chaired by independent non-executive directors. During the reporting period, the composition of the Board was in line with the requirements for gender diversity of board members both under the Listing Rules of Hong Kong Stock Exchange and the Bank's internal policy.

## Chairman and President

Chairman of the Board is the legal representative of the Bank, and is responsible for business strategies and overall development of the Bank.

President of the Bank is responsible for the daily management of business operations. The president is appointed by and accountable to the Board, and performs his duties in accordance with provisions of the Articles of Association of the Bank and authorisation of the Board.

By reason of age, Mr. Tian Guoli ceased to serve as chairman of the Board from 26 March 2024. Upon election of the Board and approval of the NFRA, Mr. Zhang Jinliang began to serve as chairman of the Board from 27 March 2024.

Due to work adjustment, Mr. Zhang Jinliang ceased to serve as president of the Bank from 26 March 2024. Mr. Zhang Jinliang was appointed by the Board to perform the duties and powers of president of the Bank to the date on which a new president officially takes office.

The Board believes that the transitional arrangement above is conducive to the stable operation of the Bank and keeping the balance between the Board and the management.

Except for the transitional arrangement above, the roles of the Bank's chairman of the Board and president are separate, each with clearly defined duties and powers.

## Operation of the Board

The Board convenes regular meetings, generally no less than six times a year; extraordinary meetings are convened if and when necessary. Board meetings may be convened by means of on-site conferences or written resolutions. The agenda for regular meetings is scheduled upon consultation with each director. Board meeting papers and relevant materials are usually circulated to all directors and supervisors 14 days in advance of Board meetings.

According to the Articles of Association of the Bank, the Board approves risk appetite of the Bank, formulates policies on risk management and internal control, and assumes the ultimate responsibility for comprehensive risk management. The Board reviews the internal control evaluation report and the statements of risk appetite of the Group annually, and reviews the comprehensive risk management report of the Group semi-annually, to evaluate the overall risk profile and the effectiveness of internal control system. After assessment, the Board believes that the Group's risk profile remains stable on the whole, the management and control of asset quality is within expectation, the core risk indicators remain stable, and the risk management system is effective.

All directors keep contact with the secretary to the Board and the company secretary, to ensure compliance with Board procedures and all applicable rules and regulations. Detailed minutes of Board meetings are kept by the secretary to the Board, and are available for review by directors at any time.

Communication and reporting mechanism has been established between the Board, directors and senior management. Senior management reports its work to the Board on a regular basis, and is supervised by the Board. Relevant senior executives are invited to attend Board meetings from time to time to provide explanations or reply to enquiries.

At Board meetings, directors can express their opinions freely, and major decisions are made only after thorough discussions. Directors may also engage independent professional institutions at the Bank's expense after due procedures, if they deem it necessary to get independent professional opinions. If any director has interests in a proposal to be considered by the Board, he or she should abstain from discussion and voting on the relevant proposal, and will not be counted in the quorum of the relevant proposal. Besides, independent non-executive directors should also express objective, fair and independent opinions to issues under discussion of the Bank. The independent non-executive directors of the Bank hold no position other than directors at the Bank, have no relationships with the Bank or the Bank's substantial shareholder that might affect their independent and objective judgment, and have no business and financial interests in the Bank or the Bank's subsidiaries. The Board reviews the implementation and effectiveness of the above mechanism every year.

The Bank effected directors' liability insurance for all directors in 2023.

## Board Meetings

In 2023, the Board of the Bank convened nine meetings, which were held on 18 January, 3 February, 28 February, 29 March, 28 April, 28 June, 23 August, 26 October and 30 November respectively. At these meetings, the Board reviewed the following proposals: risk appetite statement, capital planning for the period from 2024 to 2026, plan on authorisation of the shareholders' general meeting to the board of directors, measures for the management of authorisation of the board of directors, letter of authorisation of the board of directors to the president, business continuity management policies, annual business plan and fixed assets investment budget, the nomination of directors, the appointment of senior management members, periodic reports, profit distribution plan, dividend distribution of domestic preference shares, and raising the limit for charitable donations in 2023. The Board members' attendances of Board meetings in 2023 are set out as follows.

| Board members | Number of meetings attended in person/ Number of meetings during term of office | Number of meetings attended by proxy/ Number of meetings during term of office |
|---|---|---|
| **Executive directors** | | |
| Mr. Zhang Jinliang | 7/9 | 2/9 |
| Mr. Ji Zhihong | 4/4 | 0/4 |
| **Non-executive directors** | | |
| Ms. Shao Min | 9/9 | 0/9 |
| Mr. Tian Bo | 9/9 | 0/9 |
| Mr. Xia Yang | 9/9 | 0/9 |
| Ms. Liu Fang | 9/9 | 0/9 |
| Ms. Li Lu | 6/6 | 0/6 |
| **Independent non-executive directors** | | |
| Mr. Kenneth Patrick Chung | 9/9 | 0/9 |
| Mr. Graeme Wheeler | 9/9 | 0/9 |
| Mr. Michel Madelain | 9/9 | 0/9 |
| Mr. William Coen | 8/9 | 1/9 |
| Mr. Leung Kam Chung, Antony | 9/9 | 0/9 |
| Lord Sassoon | 2/2 | 0/2 |
| **Resigned directors** | | |
| Mr. Tian Guoli | 7/9 | 2/9 |
| Mr. Cui Yong | 4/4 | 0/4 |
| Mr. Xu Jiandong | 6/6 | 0/6 |
| Sir Malcolm Christopher McCarthy | 6/6 | 0/6 |

## Duty Performance of Directors

In 2023, all directors duly performed duties pursuant to requirements of domestic and overseas laws and regulations, regulatory rules, the Articles of Association and the Board's rules of procedure, made decisions in a scientific and prudent manner based on respective professional advantages and rich experience in various fields, and promoted the effective implementation of resolutions of the shareholders' general meeting and the board of directors. During the year, the Board held nine meetings, at which 67 proposals were considered and 40 written reports were reviewed; three shareholders' general meetings were convened, to which the Board submitted 22 proposals, including the 2022 final financial accounts, profit distribution plan for 2022, 2023 fixed assets investment budget, raising the limit for charitable donations in 2023, remuneration distribution and settlement plan for directors and supervisors, and election of directors.

All directors strengthened the research and judgment of external situations, and conducted in-depth study and discussions on major issues and key concerns of the Bank's development through meetings of the Board and special committees, thematic symposiums, communication meetings and field research. The Board formulated and implemented the capital planning, business continuity management policies, IT outsourcing plan and environmental, social and governance plan, and guided the Bank to integrate the New Finance concept into the strategic development and the whole process of operation and management, give full play to its business characteristics and pioneering advantages, continuously enhance its ability to serve the real economy, and contribute to the high-quality development of the economy and society.

Please refer to "Corporate Governance Report – Shareholders' General Meeting" for details of the attendances of directors at the shareholders' general meetings. Please refer to "Corporate Governance Report – Board of Directors" for details of the attendances of directors at the meetings of the Board. Please refer to "Corporate Governance Report – Committees under the Board" for details of the attendances of directors at meetings of the Board special committees.

Please refer to the *Work Report of Independent Non-executive Directors for the Year 2023* for details of duty performance of independent non-executive directors of the Bank during the reporting period, which would be disclosed by the Bank on the same day of this annual report.

## Accountability of Directors in Relation to Financial Statements

The directors are responsible for overseeing the preparation of financial statements for each accounting period to give a true and fair view of the Group's financial position, operating results and cash flows.

During the reporting period, the Bank published annual report 2022, first quarter report of 2023, half-year report 2023, and third quarter report of 2023 in accordance with relevant laws, regulations and listing rules of the listing venues.

## Training of Directors

All directors of the Bank took part in training on anti-embezzlement and AML related laws and regulations. All non-executive directors attended the special training on the management measures for independent directors of listed companies. All independent non-executive directors participated in trainings on topics including the new regulations on independent non-executive directors, regulation of information disclosure and standardised duty performance of independent non-executive directors, analysis of typical cases of disciplinary punishment, analysis of M&A and restructuring policies and market trends, and analysis of refinancing and spin-off listing policies. Ms. Shao Min, Ms. Liu Fang and Ms. Li Lu attended the special training on the key points of duty performance of directors, supervisors and senior executives; Ms. Shao Min and Ms. Li Lu attended the special training on information disclosure; Mr. Xia Yang attended the special training on strategic management; Ms. Liu Fang and Ms. Li Lu attended the special training on financial management; Ms. Li Lu attended the training on the initial appointment of directors, supervisors and senior executives of listed companies; Mr. Kenneth Patrick Chung attended trainings on topics including accounting and auditing, Insurance (Amendments) Ordinance, AI navigation to changing landscape, listing rules and requirements; Mr. Michel Madelain attended trainings on topics including FinTech, Board effectiveness, European climate disclosure and cybersecurity; Mr. William Coen attended the training on generative AI; and Lord Sassoon attended training on topics including the summary of regulation of Hong Kong listed companies and the briefing on directors' continuing responsibilities and duty performance of independent directors of domestically listed commercial banks.

## Company Secretaries and Training

Mr. Qiu Jicheng, and Mr. Chiu Ming King of Vistra Corporate Services (HK) Limited serve as joint company secretaries to the Bank. Mr. Chiu Ming King's main contact with the Bank is Mr. Qiu Jicheng, who currently serves as general manager of the board of directors office.

During the reporting period, Mr. Qiu Jicheng and Mr. Chiu Ming King took part in related professional trainings for no less than 15 hours in accordance with the requirements of the Listing Rules of Hong Kong Stock Exchange.

### Compliance with Model Code for Securities Transactions by Directors and Supervisors

The Bank has adopted a code of practice in relation to securities transactions by directors and supervisors as set out in the Appendix C3 *Model Code for Securities Transactions by Directors of Listed Issuers* to the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors had complied with the provisions of the above code during the year ended 31 December 2023.

### Independent Operating Capability

The Bank is independent from Huijin, its controlling shareholder, with respect to business, personnel, assets, institutional and financial matters. The Bank has independent and complete operating assets as well as independent operating capability, and is able to survive in the market on its own.

## COMMITTEES UNDER THE BOARD

There are five committees under the Board: strategy development committee, audit committee, risk management committee, nomination and remuneration committee, and related party transaction, social responsibility and consumer protection committee. More than half of the members of audit committee, risk management committee, nomination and remuneration committee, and related party transaction, social responsibility and consumer protection committee are independent non-executive directors.

As of the disclosure date, details of the positions of the Bank's directors in the committees under the Board are as follows.

| Directors | Strategy development committee | Audit committee | Risk management committee | Nomination and remuneration committee | Related party transaction, social responsibility and consumer protection committee |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| Mr. Zhang Jinliang | Chairman | | | | |
| Mr. Ji Zhihong | Member | | | | Member |
| **Non-executive directors** | | | | | |
| Ms. Shao Min | Member | | | Member | |
| Mr. Tian Bo | Member | Member | | | |
| Mr. Xia Yang | Member | | Member | | |
| Ms. Liu Fang | Member | Member | | | |
| Ms. Li Lu | Member | | | Member | |
| **Independent non-executive directors** | | | | | |
| Mr. Kenneth Patrick Chung | Member | Chairman | Member | | Member |
| Mr. Graeme Wheeler | | Member | Member | Member | Chairman |
| Mr. Michel Madelain | | Member | Member | Chairman | Member |
| Mr. William Coen | | Member | Member | | Member |
| Mr. Leung Kam Chung, Antony | Member | | Chairman | Member | |
| Lord Sassoon | Member | Member | | Member | |

1. From March 2024, Mr. Zhang Jinliang began to serve as chairman of the Board and chairman of the strategy development committee of the Board, and ceased to serve as vice chairman of the Board and member of the risk management committee of the Board.
2. From June 2023, Mr. Cui Yong served as executive director, and member of the strategy development committee and the risk management committee of the Board. From January 2024, Mr. Cui Yong ceased to serve as executive director, and member of the strategy development committee and the risk management committee of the Board.
3. From June 2023, Mr. Ji Zhihong served as executive director, and member of the strategy development committee and the related party transaction, social responsibility and consumer protection committee of the Board of the Bank.
4. From March 2023, Ms. Li Lu served as non-executive director of the Bank, and member of the strategy development committee and the nomination and remuneration committee of the Board.
5. From October 2023, Lord Sassoon served as independent non-executive director, and member of the strategy development committee, the audit committee and the nomination and remuneration committee of the Board.
6. From March 2024, Mr. Tian Guoli ceased to serve as chairman of the Board, executive director, and chairman and member of strategy development committee of the Board.
7. From June 2023, Mr. Xu Jiandong ceased to serve as non-executive director, and member of the strategy development committee and the risk management committee of the Board.
8. From June 2023, Sir Malcolm Christopher McCarthy ceased to serve as independent non-executive director, chairman and member of the nomination and remuneration committee, and member of the strategy development committee and the risk management committee of the Board.

## Strategy Development Committee

At the end of 2023, the strategy development committee consisted of 12 directors. Mr. Tian Guoli, served as chairman of the committee. Members included Mr. Zhang Jinliang, Mr. Cui Yong, Mr. Ji Zhihong, Ms. Shao Min, Mr. Tian Bo, Mr. Xia Yang, Ms. Liu Fang, Ms. Li Lu, Mr. Kenneth Patrick Chung, Mr. Leung Kam Chung, Antony and Lord Sassoon. Four of these members were executive directors, five were non-executive directors, and three were independent non-executive directors.

The primary responsibilities of the strategy development committee include:

- drafting strategies and development plans of the Bank, supervising and assessing implementation thereof;
- reviewing annual business plans and fixed assets investment budgets of the Bank;
- reviewing the report on implementation of annual business plans and fixed assets investment budgets;
- evaluating the coordinated development of various businesses;
- reviewing material restructuring and re-organisation plans;
- reviewing significant investment and financing plans of the Bank;
- other relevant responsibilities of the committee.

In 2023, the strategy development committee held seven meetings in total. The committee intensified the study and judgment on the macro situation and the research on major strategic issues, and supervised and assessed the implementation of the Bank's 14th Five-Year Plan, the building of Digital CCB plan and other important strategic plans. It studied and formulated the capital planning for the next three years and the issuance of capital instruments, optimised the authorisation management policy and plan of the Board, and studied major investment and asset disposal matters. In addition, the committee supported the Board to give full play to its leading role in strategic decision-making, further promoted the New Finance initiatives, continued to improve the quality and efficiency of services for the real economy, actively facilitated the high-level financial opening-up, effectively prevented and mitigated financial risks, and provided high-quality financial services for economic and social development.

| Members of strategy development committee | Number of meetings attended in person/ Number of meetings during term of office | Number of meetings attended by proxy/ Number of meetings during term of office |
|---|---|---|
| Mr. Zhang Jinliang | 6/7 | 1/7 |
| Mr. Ji Zhihong | 4/4 | 0/4 |
| Ms. Shao Min | 7/7 | 0/7 |
| Mr. Tian Bo | 7/7 | 0/7 |
| Mr. Xia Yang | 7/7 | 0/7 |
| Ms. Liu Fang | 7/7 | 0/7 |
| Ms. Li Lu | 6/6 | 0/6 |
| Mr. Kenneth Patrick Chung | 7/7 | 0/7 |
| Mr. Leung Kam Chung, Antony | 7/7 | 0/7 |
| Lord Sassoon | 2/2 | 0/2 |
| **Resigned members** | | |
| Mr. Tian Guoli | 5/7 | 2/7 |
| Mr. Cui Yong | 4/4 | 0/4 |
| Mr. Xu Jiandong | 4/4 | 0/4 |
| Sir Malcolm Christopher McCarthy | 4/4 | 0/4 |

In 2024, the strategy development committee will pay close attention to the changes in the external situation and strengthen the research and judgment of the macroeconomic situation. Adhering to the strategic orientation, it will give full play to the leading role in strategic decision-making, and maintain the continuity and stability of the Group's strategic objectives, strategic initiatives, key tasks, reform and innovation measures, etc. In addition, the committee will continue to strengthen capital management, effectively implement the requirements of the *Capital Rules for Commercial Banks*, and push forward the improvement of the Group's integrated risk prevention and control system to continuously enhance the Bank's risk prevention and mitigation capabilities.

## Audit Committee

At the end of 2023, the audit committee of the Bank consisted of seven directors. Mr. Kenneth Patrick Chung, independent non-executive director of the Bank, served as chairman of the committee. Members included Mr. Tian Bo, Ms. Liu Fang, Mr. Graeme Wheeler, Mr. Michel Madelain, Mr. William Coen and Lord Sassoon. Two of these members were non-executive directors and five were independent non-executive directors. The composition of the audit committee meets the requirements of corporate governance and domestic and overseas regulatory requirements.

The primary responsibilities of the audit committee include:

- supervising financial reports of the Bank, and examining the Bank's accounting information and disclosure of major events;
- supervising and evaluating internal control of the Bank;
- supervising and evaluating internal audit of the Bank;
- supervising and evaluating external audit of the Bank, proposing to the Board on engagement or removal of an accounting firm which carries out statutory audit on the financial reports of the Bank on a regular basis, and taking responsibility for the communication and coordination between internal auditors and external auditors;
- paying attention to possible misconduct in financial reporting, internal control or other areas;
- reporting its work to the Board, and maintaining communication and cooperation with other special committees;
- other responsibilities of the committee.

In 2023, the audit committee convened seven formal meetings, one pre-communication meeting for annual financial report and one for half-year financial report, and two separate meetings with external auditors. The audit committee put forward important opinions and suggestions and supported the decision-making process of the Board by paying special attention to the following aspects:

The committee supervised and reviewed periodic reports. It reviewed annual report 2022 and half-year report 2023 and related summaries and results announcements, and the first and third quarterly reports of 2023, adhered to the practice of pre-communication before annual and half year report approval and fully exchanged views with the management and external auditors. The Committee kept a close eye on the changes relating to the macro situation and regulatory policies to help the Bank maintain sound and stable operation, timely amended the basic accounting policy to strengthen the governance of accounting information, and closely tracked important matters related to business management and financial reporting to further promote the level of information disclosure.

In terms of the annual report, pursuant to the Bank's annual report working procedures for the audit committee of the Board, the audit committee reviewed the annual financial report of the Bank, and fully communicated with the management and formed written opinions before the commencement of onsite work of external auditors. Based on the initial audit opinions given by the external auditors, the committee strengthened communication with external auditors and reviewed the annual financial report of the Bank again. After the completion of the audit, the audit committee reviewed and voted on the annual financial report, and submitted it to the Board for deliberation.

The committee oversaw and evaluated external audit. It oversaw and urged to carry out the annual assessment of the external audit on a regular basis, which was taken as an important consideration for engaging external auditors. It agreed to continue to engage Ernst & Young as the external auditor of CCB for 2023, submitted the proposal to the Board for review, reviewed and approved the 2023 external audit service contract, and implemented relevant regulatory requirements for external auditor engagement. The committee listened to the external audit plan and the updates and implementation thereof, and regularly listened to reports on the audit of the financial reports. It studied the management suggestions from the external auditors, strengthened the management of non-audit services, communicated over key audit matters, and accepted regular filings of work summaries of external auditors.

The committee oversaw and assessed internal control and internal audit. It attached importance to internal control, assessed the effectiveness of internal control on a regular basis, issued the assessment report and disclosed to the public. The committee paid attention to internal control defects identified in internal and external audits and internal control assessment, and promoted the continuous improvement and perfection of the internal control. The committee attached importance to internal audit, listened to the internal audit plan and related updates, and advanced the assessment of internal audit quality and internal audit work evaluation. It regularly listened to the summary report on internal audit findings, continued to promote related rectifications, and promoted the coordination between the internal and external audit.

| Members of audit committee | Number of meetings attended in person/ Number of meetings during term of office | Number of meetings attended by proxy/ Number of meetings during term of office |
|---|---|---|
| Mr. Kenneth Patrick Chung | 7/7 | 0/7 |
| Mr. Tian Bo | 7/7 | 0/7 |
| Ms. Liu Fang | 7/7 | 0/7 |
| Mr. Graeme Wheeler | 7/7 | 0/7 |
| Mr. Michel Madelain | 7/7 | 0/7 |
| Mr. William Coen | 6/7 | 1/7 |
| Lord Sassoon | 1/1 | 0/1 |

In 2024, the audit committee will continue to strengthen the supervision of periodic reports to comply with accounting standards as well as domestic and overseas regulatory requirements, optimise disclosures in periodic reports, and provide professional advice to the Board. It will monitor and evaluate the external audits, and promote the improvement of service quality of external auditors. It will monitor and guide the internal audits, and urge rectifications related to audit findings. It will enhance the monitoring and evaluation of internal control, and urge the continuous improvement of the robustness and effectiveness of the internal control system. The audit committee will also assist the Board in other relevant work as arranged by the Board.

### Risk Management Committee

At the end of 2023, the risk management committee consisted of eight directors. Mr. Leung Kam Chung, Antony, independent non-executive director of the Bank, served as chairman of the committee. Members included Mr. Zhang Jinliang, Mr. Cui Yong, Mr. Xia Yang, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler, Mr. Michel Madelain and Mr. William Coen. Two of these members were executive directors, one was non-executive director and five were independent non-executive directors.

The primary responsibilities of the risk management committee include:

- reviewing the risk management policies in accordance with the overall strategy of the Bank, and monitoring and assessing their implementation and effectiveness;
- continuously supervising and examining the effectiveness of risk management system;
- providing guidance on the building of risk management system of the Bank;
- monitoring and assessing the establishment, organisational structure, working procedures and effectiveness of risk management departments, and providing suggestions on improvement;
- reviewing the Bank’s risk report, conducting periodic assessment of risk profile, and providing suggestions on improvement of risk management;
- evaluating the performance of the Bank’s senior executives responsible for risk management;
- supervising the compliance of core businesses, management systems and major operation activities of the Bank;
- taking the responsibilities of the US risk management committee as well; and
- other relevant responsibilities of the committee.

In 2023, the risk management committee convened six meetings in total. The committee guided and promoted the Bank to further strengthen the comprehensive risk management system, and conducted in-depth studies on the risk situation and response measures in key areas, improved the important plans and policies on business continuity and information technology risk management. It proactively conducted research on liquidity risk, credit risk, digital risk and other topics, strengthened the forward-looking analysis of environmental and climatic risks and opportunities, pushed for the enhancement of the quality and effectiveness of compliance management and rectification of problems identified by the supervisory authorities, and implemented ongoing supervision of the institutions in the US to strengthen risk and compliance management. It played an important role in supporting the scientific decision-making of the Board and enhancing the risk management capability of the Bank.

Under the framework of comprehensive risk management system, the risk management committee continued to supervise and review the effectiveness of the risk management system of the Bank, and listened to the management's reports on the overall risk management of the Group on a quarterly basis. Please refer to "Management Discussion and Analysis – Risk Management" for details of risk management.

| Members of risk management committee | Number of meetings attended in person/ Number of meetings during term of office | Number of meetings attended by proxy/ Number of meetings during term of office |
|---|---|---|
| Mr. Leung Kam Chung, Antony | 6/6 | 0/6 |
| Mr. Xia Yang | 6/6 | 0/6 |
| Mr. Kenneth Patrick Chung | 6/6 | 0/6 |
| Mr. Graeme Wheeler | 6/6 | 0/6 |
| Mr. Michel Madelain | 6/6 | 0/6 |
| Mr. William Coen | 6/6 | 0/6 |
| **Resigned member** | | |
| Mr. Zhang Jinliang | 5/6 | 1/6 |
| Mr. Cui Yong | 3/3 | 0/3 |
| Mr. Xu Jiandong | 4/4 | 0/4 |
| Sir Malcolm Christopher McCarthy | 4/4 | 0/4 |

In 2024, the risk management committee will conduct in-depth studies of the international economic and financial situation, continue to improve the comprehensive risk management system, and strengthen forward-looking risk management and control of key areas. The committee will strictly implement domestic and overseas regulations and regulatory requirements, guide the improvement of important risk management policies, and continuously perfect the risk management rules and mechanism. The implementation of the new regulations on capital management will be orderly promoted, and the regulatory requirements for systemically important banks will be implemented to accelerate the comprehensive compliance with the standards for all capabilities. In addition, the committee will actively carry out special studies on risks in key and frontier areas, and promote the enhancement of the capacity of IT risk and business continuity management. It will oversee and guide the management of climate-related risks and opportunities, and promote the in-depth integration of ESG elements and risk management. It will press ahead with the Group's consolidated management mechanism, and improve the integrated and collaborative risk control of the Bank and subsidiaries. Additionally, the risk management committee will continuously supervise compliance management, AML, and risk management of institutions in the US, improve the modern, comprehensive, proactive and intelligent risk management system, and provide a solid guarantee for the high-quality financial development.

### Nomination And Remuneration Committee

At the end of 2023, the nomination and remuneration committee consisted of six directors. Mr. Michel Madelain, independent non-executive director of the Bank, served as chairman of the committee. Members included Ms. Shao Min, Ms. Li Lu, Mr. Graeme Wheeler, Mr. Leung Kam Chung, Antony and Lord Sassoon. Two of these members were non-executive directors, and four were independent non-executive directors.

The primary responsibilities of the nomination and remuneration committee include:

- organising the formulation of standards and procedures for the election of directors and senior management members of the Bank, and submitting the proposed procedures and standards to the Board for approval;
- proposing to the Board on candidates for directors, president, chief audit officer and the secretary to the Board;
- proposing to the Board on candidates for members of special committees of the Board;
- reviewing the candidates for senior management members of the Bank nominated by president and making suggestions to the Board;
- listening to development plans for the senior management members and fostering plans for the key backup talents;
- reviewing the Bank's remuneration management policy submitted by the president, and submitting it to the Board for decision;
- organising the preparation of performance evaluation methods for directors and remuneration distribution methods for directors, and submitting them to the Board for review;
- organising the preparation of performance evaluation methods and remuneration distribution methods for the senior management members of the Bank, and submit them to the Board for decision;
- organising performance evaluation on directors, making proposals on the distribution of remuneration of directors, and submitting it to the Board for review;
- organising performance evaluation for the senior management members of the Bank, making suggestions on remuneration distribution plan for the senior management members of the Bank, and submitting it to the Board for decision;
- supervising the implementation of the Bank's performance evaluation policy and remuneration policy;
- other relevant responsibilities of the committee.

In 2023, the nomination and remuneration committee convened eight meetings in total. The committee has continued to focus on the structure, size and composition of the Board. For nomination, in accordance with the relevant requirements of the Articles of Association of the Bank and the terms of reference for the committee on nomination procedures of directors and members of special committees under the Board, as well as the appointment procedures of senior management members, the committee proposed to the Board on the candidates for directors, candidates for members of special committees under the Board and candidates for senior management members. The committee reviewed the post qualifications of nominees, with the main considerations including compliance with laws and regulations and the Bank's Articles of Association, and performance of their duties diligently for the Bank. The committee recognised that during the reporting period, the composition of the Board of the Bank was in conformity with the requirements of the diversity policy for the Board. For remuneration and performance appraisal, the committee provided guidance on formulating the management measures for deferred payment and withdrawal of performance remuneration, organised the formulation of the remuneration distribution and settlement plan for directors, supervisors and senior management of the Bank for 2022, and improved the performance evaluation plans for executive directors and senior management for 2023. The committee deeply analysed the employee remuneration structure, and continuously advanced the implementation of the policy of prioritising grassroots-level employees. For talent development and training, the committee focused on the forward-looking deployment of human resources for ESG advancement and digital transformation, attached importance to the cultivation of key reserve talents and the career development of female employees, continued to follow up on employee training and promoted the building of the professional talent team.

| Members of nomination and remuneration committee | Number of meetings attended in person/ Number of meetings during term of office | Number of meetings attended by proxy/ Number of meetings during term of office |
|---|---|---|
| Mr. Michel Madelain | 8/8 | 0/8 |
| Ms. Shao Min | 8/8 | 0/8 |
| Ms. Li Lu | 5/5 | 0/5 |
| Mr. Graeme Wheeler | 8/8 | 0/8 |
| Mr. Leung Kam Chung, Antony | 8/8 | 0/8 |
| Lord Sassoon | 1/1 | 0/1 |
| **Resigned member** | | |
| Sir Malcolm Christopher McCarthy | 6/6 | 0/6 |

## COMMITTEES UNDER THE BOARD

In 2024, the nomination and remuneration committee will pay continuous attention to the structure, number of members and composition of the Board, accomplish the work in relation to nomination. It will further refine the performance evaluation of the directors and senior management in accordance with China's remuneration regulatory policies, put forward the remuneration distribution suggestions, continuously promote the talent development and cultivation, and intensify efforts in employee training.

### Related Party Transaction, Social Responsibility and Consumer Protection Committee

At the end of 2023, the related party transaction, social responsibility and consumer protection committee consisted of five directors. Mr. Graeme Wheeler, independent non-executive director of the Bank, served as chairman of the committee. Members included Mr. Ji Zhihong, Mr. Kenneth Patrick Chung, Mr. Michel Madelain and Mr. William Coen. One of the members was executive director, and the other four were independent non-executive directors.

The primary responsibilities of the related party transaction, social responsibility and consumer protection committee include:

- taking charge of related party transaction management, review and risk control of related party transactions in accordance with laws, regulations, rules and the Articles of Association of the Bank, and paying attention to compliance, fairness and necessity of related party transactions;
- accepting the filing for general related party transactions; reviewing material related party transactions, and submitting them to the Board for approval;
- studying and preparing the Bank's social responsibility strategy and policy;
- supervising, inspecting and assessing the Bank's performance of social responsibilities, and guiding and supervising the preparation of the corporate social responsibility report;
- studying and preparing the ESG management policies and strategies, tracking and assessing progress on a regular basis, and guiding and monitoring disclosure of relevant information;
- studying and preparing the Bank's green finance strategy, and supervising and evaluating the implementation of the green finance strategy;
- supervising and guiding the management in promoting the work related to inclusive finance;
- guiding and supervising the establishment and improvement of the management policy system of consumer protection, urging the senior management to implement relevant work, guiding the disclosure of material information of consumer protection and fulfilling other management duties for consumer protection required by laws, regulations and regulatory authorities;
- other relevant responsibilities of the committee.

In 2023, the related party transaction, social responsibility and consumer protection committee convened five meetings in total. The committee continued to strengthen the comprehensive management of related-party transactions, actively and steadily pushed forward the full implementation of the *Administrative Measures for Related-Party Transactions of Banking and Insurance Institutions*, and enhanced the management of related-party transactions by the third line of defence. It attached great importance to the circular on complaints transferred by regulatory authorities and their assessment of consumer protection, continuously strengthened the coordination and guidance of consumer protection, regularly listened to work reports, and monitored and assessed the implementation of relevant work. Supervision and guidance on housing rental, inclusive finance and rural revitalisation finance were intensified, and support was provided for the promotion of related business through innovating financial service models and relying on FinTech and digital finance. The committee reviewed social responsibility reports and continuously monitored the execution of charitable donations. It continuously strengthened supervision and guidance on green finance, urged the management to thoroughly implement the green development philosophy, and established a long-effect mechanism for green development. In addition, the committee promoted the formulation of the Bank's *Environmental, Social and Governance Plan (2023-2025)*, listened to regular reports on the progress in ESG work, and continuously enhanced the disclosure of relevant information, vigorously boosting the continuous improvement of the effectiveness of ESG work of the Bank.

| Members of related party transaction, social responsibility and consumer protection committee | Number of meetings attended in person/ number of meetings during term of office | Number of meetings attended by proxy/ number of meetings during term of office |
|---|---|---|
| Mr. Graeme Wheeler | 5/5 | 0/5 |
| Mr. Ji Zhihong | 3/3 | 0/3 |
| Mr. Kenneth Patrick Chung | 5/5 | 0/5 |
| Mr. Michel Madelain | 5/5 | 0/5 |
| Mr. William Coen | 5/5 | 0/5 |

In 2024, the related party transaction, social responsibility and consumer protection committee will strengthen the supervision and management of the related party transactions, improve the protection of consumer rights and interests, monitor and guide the promotion of environmental, social and governance work, and promote the development of green finance. It will monitor and promote the implementation of the strategies of housing rental, inclusive finance, and rural revitalisation finance. It will monitor and guide the fulfilment of social responsibility, the implementation of charitable donations and review the social responsibility report. It will also assist the Board in relevant work as arranged by the Board.

## BOARD OF SUPERVISORS

### Responsibilities of the Board of Supervisors

The board of supervisors, being the supervisory body of the Bank, is accountable to the shareholders' general meeting and performs the following functions in accordance with relevant laws:

- supervising the performance of the Board, senior management and their members;
- requiring the directors and senior management to correct their acts when their acts infringe the interests of the Bank;
- inspecting and supervising the financial activities of the Bank;
- verifying the financial information, including financial reports, business reports and profit distribution plans that are proposed to the shareholders' general meeting by the Board;
- supervising the Bank's business decisions, risk management, internal control, etc., and providing guidance on and supervising the internal audit work of the Bank; and
- exercising other duties that should be exercised by the board of supervisors in accordance with the Articles of Association of the Bank.

CORPORATE GOVERNANCE REPORT

## BOARD OF SUPERVISORS

### Composition of the Board of Supervisors

At the end of 2023, the board of supervisors of the Bank consisted of five supervisors, including Mr. Lin Hong, a shareholder representative supervisor, Mr. Liu Jun, an employee representative supervisor, and three external supervisors, namely Mr. Zhao Xijun, Mr. Liu Huan and Mr. Ben Shenglin.

The term of office of the supervisors is three years, and they may be re-elected upon expiration of their term of office. The shareholder representative supervisor and the external supervisors of the Bank are elected by the shareholders' general meeting, and the employee representative supervisor is elected by the employee representative organisation.

### Operation of the Board of Supervisors

The board of supervisors convenes regular meetings at least once a quarter, and extraordinary meetings are convened if and when required. Meetings of the board of supervisors may be convened by on-site conference or written resolution. Supervisors are generally notified in writing with specified meeting agenda ten days prior to the meeting. During the meeting, the supervisors are free to express their opinions, and important decisions are only made after detailed discussions.

Detailed minutes are prepared for the meetings of the board of supervisors and are provided to all supervisors. The board of supervisors may engage external legal advisors or certified public accountants at the Bank's expense if it deems it necessary to discharge its duties. The Bank takes necessary measures and methods to ensure supervisors' right to information, and provides relevant information and documents to them pursuant to related regulations.

Supervisors may attend board meetings as non-voting attendees, and the board of supervisors may, when it deems necessary, assign supervisors to attend as non-voting attendees meetings of the Bank such as meetings of board committees, annual work conference, meetings on business operation analysis, and presidents' executive meetings. The board of supervisors of the Bank also carries out supervisory work through measures such as information review, researches and inspections, interviews and panel discussions, and performance evaluation polls.

The Bank effected supervisors' liability insurance for all supervisors in 2023.

### Meetings of the Board of Supervisors

In 2023, the board of supervisors convened four meetings, which were held on 29 March, 28 April, 23 August and 26 October respectively. Major proposals reviewed and approved included the Bank's periodic reports, profit distribution plan, report of the board of supervisors, reappointment of external supervisors, supervisory work plan, and assessment report on internal control for the year 2022. Relevant information was disclosed pursuant to the provisions of relevant laws, regulations and listing rules of the listing venues.

The following table sets forth the attendances of supervisors at the meetings of the board of supervisors in 2023:

| Members of the board of supervisors | Number of meetings attended in person/ Number of meetings during term of office | Number of meetings attended by proxy/ Number of meetings during term of office |
|---|---|---|
| **Shareholder representative supervisor** | | |
| Mr. Lin Hong | 4/4 | 0/4 |
| **Employee representative supervisor** | | |
| Mr. Liu Jun | 3/4 | 1/4 |
| **External supervisors** | | |
| Mr. Zhao Xijun | 3/4 | 1/4 |
| Mr. Liu Huan | 4/4 | 0/4 |
| Mr. Ben Shenglin | 3/4 | 1/4 |
| **Resigned supervisors** | | |
| Mr. Wang Yongqing | 3/3 | 0/3 |
| Mr. Wang Yi | 1/1 | 0/1 |

### Duty Performance of External Supervisors

In 2023, Mr. Zhao Xijun, Mr. Liu Huan, Mr. Ben Shenglin, the external supervisors of the Bank, duly performed their duties, attended the meetings of the board of supervisors and special committees thereof, and participated in the studies and decision-making of major issues of the board of supervisors. They proactively attended major meetings of the Board, the special committees under the Board and the management as non-voting attendees, participated in the special researches organised by the board of supervisors, provided policy suggestions by leveraging their experience and expertise, and contributed to the effective supervision of the board of supervisors.

## COMMITTEES UNDER THE BOARD OF SUPERVISORS

The performance and due diligence supervision committee and the finance and internal control supervision committee are established under the board of supervisors.

### Performance and Due Diligence Supervision Committee

The performance and due diligence supervision committee consists of three supervisors. Mr. Liu Huan, external supervisor, serves as chairman of the committee. Members include Mr. Lin Hong and Mr. Zhao Xijun.

The primary responsibilities of the performance and due diligence supervision committee include:

- formulating rules, work plans and schemes, and implementation plans for supervision and inspection, in connection with the supervision of the performance and due diligence of the Board, senior management and their members, and implementing or organising the implementation of such rules, plans and schemes upon approval of the board of supervisors;
- issuing evaluation opinions or report on the performance of the Board, senior management and their members; and
- organising the appraisal of supervisors, proposing the remuneration distribution plan for supervisors and submitting it to the board of supervisors for review.

In 2023, the performance and due diligence supervision committee convened four meetings, all on-site. The committee reviewed the report on evaluation of the performance of the Board, senior management and their members by the board of supervisors, and self-evaluation report on the performance of the board of supervisors and supervisors. It studied and formulated the work plan for performance supervision and evaluation for the year of 2023. It reviewed the proposals regarding the re-appointment of external supervisors and the performance appraisal plan for shareholder representative supervisors of the Bank. It listened to special reports including the implementation of the FinTech strategy, the implementation of housing rental strategies, the development of green finance, progress in consumer protection work, and work related to support for the development of private economy. The committee organised the implementation of annual supervisory work, and assisted the board of supervisors in the supervision and evaluation of the Board, senior management and their members and the self-evaluation of the board of supervisors.

| Members of the performance and due diligence supervision committee | Number of meetings attended in person/ Number of meetings during term of office | Number of meetings attended by proxy/ Number of meetings during term of office |
|---|---|---|
| Mr. Liu Huan | 4/4 | 0/4 |
| Mr. Lin Hong | 4/4 | 0/4 |
| Mr. Zhao Xijun | 3/4 | 1/4 |
| **Resigned members** | | |
| Mr. Wang Yongqing | 1/3 | 2/3 |

## COMMITTEES UNDER THE BOARD OF SUPERVISORS

In 2024, the performance and due diligence supervision committee will carry out solid work in supervision of performance of duties and responsibilities, explore ways to improve work approaches, promote the improvement of the duty performance supervision mechanisms, and assist the board of supervisors in performance supervision and evaluation of the Board, senior management and their members.

### Finance and Internal Control Supervision Committee

The finance and internal control supervision committee consists of four supervisors. Mr. Zhao Xijun, external supervisor, serves as chairman of the committee. Members include Mr. Lin Hong, Mr. Liu Jun and Mr. Ben Shenglin.

The primary responsibilities of the finance and internal control supervision committee include:

- formulating the rules, work plans and schemes, and implementation plans for supervision and inspection in connection with supervision of finance and internal control, and implementing or organising the implementation of such rules, plans, and schemes upon approval of the board of supervisors;
- reviewing the annual financial reports and operation reports of the Bank and the profit distribution plan made by the Board, and providing suggestions to the board of supervisors; and
- assisting the board of supervisors in organising the implementation of supervision and inspections on the finance and internal control of the Bank as required.

In 2023, the finance and internal control supervision committee convened four meetings, all on-site. The committee reviewed proposals including periodic reports, profit distribution plan and internal control evaluation report. It listened to work reports on financial report auditing, comprehensive risk and compliance management, and credit asset quality on a regular basis, and continued to focus on capital management, liquidity risk, reputational risk, stress testing, expected credit losses, and consolidated management. It supervised and provided suggestions on internal control, acquisition and disposal of material assets, related party transactions and use of proceeds, etc. in accordance with regulatory provisions. In addition, the committee listened to special reports including the promotion of the Group's work plan for the integrated prevention and mitigation of major financial risks, banking risk events in Europe and the United States, standardised financial management and financial inspection, advancement of the implementation of the measures for the risk classification of commercial banks' financial assets, adjustment and optimisation of the housing credit policy and its impact, and AML management, put forward targeted suggestions and helped the board of supervisors carry out supervision of finance, risk and internal control.

| Members of the finance and internal control supervision committee | Number of meetings attended in person/ Number of meetings during term of office | Number of meetings attended by proxy/ Number of meetings during term of office |
|---|---|---|
| Mr. Zhao Xijun | 3/4 | 1/4 |
| Mr. Lin Hong | 4/4 | 0/4 |
| Mr. Liu Jun | 4/4 | 0/4 |
| Mr. Ben Shenglin | 3/4 | 1/4 |
| **Resigned members** | | |
| Mr. Wang Yi | 1/1 | 0/1 |

In 2024, the finance and internal control supervision committee will focus on its duties, work on supervision priorities, continuously expand the breadth and depth of supervision, and earnestly supervise the Bank's finance, risk control and compliance management.

## SENIOR MANAGEMENT

### Responsibilities of Senior Management

The senior management is accountable to the Board and supervised by the board of supervisors. Authorisation to the senior management by the Board strictly complies with the Articles of Association of the Bank and other corporate governance documents. Pursuant to the Articles of Association of the Bank, president of the Bank exercises the following functions:

- presiding over the operation and management of the Bank, and organising the implementation of resolutions of the Board;
- submitting operation and investment plans of the Bank to the Board, and organising the implementation of such plans upon approval of the Board;
- formulating internal management organisation structure of the Bank;
- formulating basic management rules of the Bank;
- formulating specific rules and regulations of the Bank;
- proposing to the Board to appoint or dismiss executive vice presidents and other senior executives (except for chief audit officer and secretary to the Board);
- appointing or dismissing the heads of functional departments or branches within the Bank other than those to be appointed or dismissed by the Board;
- authorising senior executives (except for chief audit officer and secretary to the Board), heads of internal functional departments and branches to conduct operating activities;
- establishing president accountability system, and evaluating business performance of managers of business departments, functional departments and branches;
- proposing the convening of extraordinary board meetings;
- taking emergency measures in the event of a run on the Bank and other major emergencies, and immediately reporting it to the banking industry regulatory authorities under the State Council and other relevant authorities, as well as the board of directors and the board of supervisors; and
- other functions that should be exercised by president according to laws, regulations, rules, the Articles of Association of the Bank, and resolutions of the shareholders' general meeting and the Board.

Executive vice presidents and other senior executives of the Bank shall assist president with his work. When the president is absent or unable to exercise his duties and powers, the Board shall designate a person to exercise the duties and powers on his behalf.

### Operation of Senior Management

Based on the authorisation of the Articles of Association of the Bank and other corporate governance documents and the Board, the senior management organises operation and management activities of the Bank in an orderly manner. According to the strategies and targets set by the Board, it makes comprehensive operation plans and regularly reports to the Board on implementation of strategies and plans. The senior management analyses and assesses internal and external environment, formulates operation strategies and management measures, and makes timely adjustments in line with market changes. The senior management invites directors and supervisors to participate in important meetings and major events, takes advice and suggestions, and keeps close communication with the Board and the board of supervisors, so as to enhance the operation and management capabilities and operational efficiency.

# PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## Particulars of Directors, Supervisors and Senior Management

### Directors of the Bank

| Name | Position | Gender | Age | Term of Office |
|---|---|---|---|---|
| Zhang Jinliang | Chairman[1], executive director | Male | 54 | June 2022 to 2024 annual general meeting |
| Ji Zhihong | Executive director | Male | 55 | June 2023 to 2025 annual general meeting |
| Shao Min | Non-executive director | Female | 59 | January 2021 to 2025 annual general meeting |
| Tian Bo | Non-executive director | Male | 52 | August 2019 to 2024 annual general meeting |
| Xia Yang | Non-executive director | Male | 55 | August 2019 to 2024 annual general meeting |
| Liu Fang | Non-executive director | Female | 50 | January 2021 to 2025 annual general meeting |
| Li Lu | Non-executive director | Female | 43 | March 2023 to 2024 annual general meeting |
| Kenneth Patrick Chung | Independent non-executive director | Male | 66 | November 2018 to 2023 annual general meeting |
| Graeme Wheeler | Independent non-executive director | Male | 72 | October 2019 to 2024 annual general meeting |
| Michel Madelain | Independent non-executive director | Male | 68 | January 2020 to 2024 annual general meeting |
| William Coen | Independent non-executive director | Male | 61 | June 2021 to 2023 annual general meeting |
| Leung Kam Chung, Antony | Independent non-executive director | Male | 72 | October 2021 to 2023 annual general meeting |
| Lord Sassoon | Independent non-executive director | Male | 68 | October 2023 to 2025 annual general meeting |
| **Resigned directors** | | | | |
| Tian Guoli | Chairman, executive director | Male | 63 | October 2017 to March 2024 |
| Cui Yong | Executive director | Male | 54 | June 2023 to January 2024 |
| Xu Jiandong | Non-executive director | Male | 60 | June 2020 to 2022 annual general meeting |
| Sir Malcolm Christopher McCarthy | Independent non-executive director | Male | 80 | August 2017 to 2022 annual general meeting |

1. Mr. Zhang Jinliang began to serve as chairman of the Board from 27 March 2024.

### Supervisors of the Bank

| Name | Position | Gender | Age | Term of Office |
|---|---|---|---|---|
| Lin Hong | Shareholder representative supervisor | Male | 57 | December 2021 to 2023 annual general meeting |
| Liu Jun | Employee representative supervisor | Male | 58 | December 2021 to 2023 annual general meeting |
| Zhao Xijun | External supervisor | Male | 60 | June 2019 to 2024 annual general meeting |
| Liu Huan | External supervisor | Male | 69 | June 2020 to 2025 annual general meeting |
| Ben Shenglin | External supervisor | Male | 58 | June 2020 to 2025 annual general meeting |
| **Resigned supervisors** | | | | |
| Wang Yongqing | Chairman of the board of supervisors, shareholder representative supervisor | Male | 60 | October 2019 to October 2023 |
| Wang Yi | Employee representative supervisor | Male | 61 | May 2018 to April 2023 |

### Senior management of the Bank

| Name | Position | Gender | Age | Term of Office |
|---|---|---|---|---|
| Ji Zhihong | Executive vice president | Male | 55 | August 2019 – |
| Li Yun | Executive vice president | Male | 50 | November 2021 – |
| Wang Bing | Executive vice president | Male | 52 | March 2023 – |
| Li Min | Executive vice president | Male | 52 | September 2023 – |
| Hu Changmiao | Secretary to the Board | Male | 60 | May 2019 – |
| Jin Panshi | Chief information officer | Male | 59 | March 2021 – |
| Sheng Liurong | Chief financial officer | Male | 58 | November 2022 – |
| **Resigned senior management** | | | | |
| Zhang Jinliang | President | Male | 54 | May 2022 to March 2024 |
| Zhang Min | Executive vice president | Female | 53 | December 2020 to January 2023 |
| Cui Yong | Executive vice president | Male | 54 | August 2022 to January 2024 |
| Cheng Yuanguo | Chief risk officer | Male | 61 | April 2021 to July 2023 |

### Shareholdings of directors, supervisors and senior executives

During the reporting period, there was no change in the shareholdings of directors, supervisors and senior executives of the Bank. Some of the Bank's supervisors and senior executives indirectly held H-shares of the Bank via employee stock incentive plan of the Bank before they assumed current positions. Specifically, Mr. Lin Hong held 15,555 H-shares, Mr. Liu Jun held 12,447 H-shares, Mr. Li Min held 8,444 H-shares, Mr. Hu Changmiao held 17,709 H-shares, and Mr. Sheng Liurong held 17,521 H-shares. Mr. Wang Yi, the resigned supervisor, held 13,023 H-shares; Ms. Zhang Min, the resigned executive vice president, held 9,120 H-shares; Mr. Cheng Yuanguo, the resigned chief risk officer held 15,863 H-shares. Apart from the above, the directors and supervisors and senior executives of the Bank did not hold any shares of the Bank.

## Changes in Directors, Supervisors and Senior Management

### Directors of the Bank

Upon election of the Board and approval of the NFRA, Mr. Zhang Jinliang began to serve as chairman of the Board from March 2024 and ceased to serve as vice chairman of the Board from March 2024. Upon election at the 2022 annual general meeting of the Bank, Ms. Shao Min and Ms. Liu Fang continued to serve as non-executive directors of the Bank from June 2023. Upon election at the 2022 annual general meeting of the Bank and approval of the NFRA, Lord Sassoon began to serve as independent non-executive director of the Bank from October 2023. Upon election at the 2023 first extraordinary general meeting of the Bank and approval of the NFRA, Mr. Ji Zhihong began to serve as executive directors of the Bank from June 2023. Upon election at the 2022 first extraordinary general meeting of the Bank and approval of the former CBIRC, Ms. Li Lu began to serve as non-executive director of the Bank from March 2023.

Upon election at the 2022 annual general meeting of the Bank, Mr. Tian Guoli continued to serve as chairman of the Board, executive director, and chairman of the strategy development committee of the Board from June 2023; by reason of age, Mr. Tian Guoli ceased to serve as chairman, executive director, and chairman of the strategy development committee of the Board from March 2024. Upon election at the 2023 first extraordinary general meeting of the Bank and approval of the NFRA, Mr. Cui Yong began to serve as executive director of the Bank from June 2023; due to expiration of term of office, Mr. Xu Jiandong ceased to serve as non-executive director of the Bank, and Sir Malcolm Christopher McCarthy ceased to serve as independent non-executive director of the Bank from June 2023.

### Supervisors of the Bank

Upon election at the 2022 annual general meeting of the Bank, Mr. Liu Huan and Mr. Ben Shenglin continued to serve as external supervisors of the Bank from June 2023.

By reason of age, Mr. Wang Yongqing ceased to serve as chairman of the board of supervisors and shareholder representative supervisor of the Bank from October 2023. By reason of age, Mr. Wang Yi ceased to serve as employee representative supervisor of the Bank from April 2023.

### Senior management of the Bank

Upon appointment of the Board of the Bank and approval of the NFRA, Mr. Li Min began to serve as executive vice president of the Bank from September 2023. Upon appointment of the Board of the Bank and approval of the former CBIRC, Mr. Wang Bing began to serve as executive vice president of the Bank from March 2023.

Due to job adjustment, Mr. Zhang Jinliang ceased to serve as president of the Bank from March 2024. Due to change of job, Mr. Cui Yong ceased to serve as executive vice president of the Bank from January 2024. By reason of age, Mr. Cheng Yuanguo ceased to serve as chief risk officer of the Bank from July 2023. Due to change of job, Ms. Zhang Min ceased to serve as executive vice president of the Bank from January 2023.

### Changes in personal information of directors, supervisors and senior management

Mr. Zhang Jinliang, chairman and executive director of the Bank, began to serve as vice chairman of the eighth session of the council of China Society for Finance & Banking from April 2023.

Mr. Michel Madelain, independent non-executive director of the Bank, ceased to serve as trustee of the IFRS Foundation from December 2023.

Lord Sassoon, independent non-executive director of the Bank, began to serve as independent non-executive director of Barco NV from April 2023, and serve as independent non-executive director of Arbuthnot Banking Group PLC and Arbuthnot Latham & Co., Limited from September 2023.

Mr. Liu Jun, employee representative supervisor of the Bank, ceased to serve as chairman of CCB Principal Asset Management from February 2023.

Mr. Ben Shenglin, external supervisor of the Bank, began to serve as independent non-executive director of Caitong Securities Co., Ltd. from August 2023.

Mr. Wang Bing, executive vice president of the Bank, began to serve concurrently as chairman of CCB Asia from March 2023.

Mr. Sheng Liurong, chief financial officer of the Bank, began to concurrently serve as chairman of CCB Principal Asset Management from September 2023, and ceased to concurrently serve as non-executive director of CCB Financial Leasing from October 2023.

CORPORATE GOVERNANCE REPORT

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## Biographical Details of Directors, Supervisors and Senior Management

### Directors of the Bank

**Zhang Jinliang**
**chairman and executive director**

Mr. Zhang has served as chairman of the Board since March 2024 and executive director of the Bank since June 2022. He began to serve as vice chairman of the eighth session of the council of China Society for Finance & Banking from April 2023. He served as vice chairman of the Board from June 2022 to March 2024 and as president of the Bank from May 2022 to March 2024. From August 2018 to April 2022, Mr. Zhang served as director and general manager of China Post Group Corporation Limited (previously China Post Group Corporation). From May 2019 to April 2022, Mr. Zhang served as chairman and non-executive director of Postal Savings Bank of China Co., Ltd. From January 2016 to August 2018, Mr. Zhang was executive director of China Everbright Group and executive director and president of China Everbright Bank. From October 2003 to January 2016, Mr. Zhang served successively as deputy general manager of finance and accounting department, head of IT blueprint implementation office, general manager of financial management department, general manager of Beijing Branch, executive director and executive vice president of Bank of China. Mr. Zhang is a certified public accountant and senior accountant. He obtained a Ph.D. degree in Economics from Xiamen University in 1997.

**Ji Zhihong**
**executive director and executive vice president**

Mr. Ji has served as executive director of the Bank since June 2023 and executive vice president of the Bank since August 2019. Mr. Ji has served concurrently as chairman of the Council of CCB Housing Rental Fund since November 2022. He served as director-general of the financial market department of the PBC from August 2013 to May 2019, during which he was concurrently director of the financial market management department of the Shanghai Head Office from August 2013 to May 2016. From September 2012 to August 2013, he was director-general of the research bureau of the PBC. From April 2010 to September 2012, he was deputy director-general of the monetary policy department of the PBC. From February 2008 to April 2010, he was deputy director (deputy director-general level) of the open market operations department of the PBC Shanghai Head Office. Mr. Ji is a research fellow. He obtained a master's degree in international finance from the Graduate School of the People's Bank of China (now PBC School of Finance, Tsinghua University) in 1995 and a PhD degree in national economics from Chinese Academy of Social Sciences in 2005.

**Shao Min**
**non-executive director**

Ms. Shao has served as non-executive director of the Bank since January 2021. Ms. Shao joined Huijin in 2021. Ms. Shao served as senior counsel of the supervision and evaluation bureau of Ministry of Finance from June 2019 to February 2021. From April 2019 to June 2019, Ms. Shao was counsel of the supervision and evaluation bureau of Ministry of Finance. From September 2015 to April 2019, Ms. Shao was deputy director-general of the accounting department of Ministry of Finance. From August 1987 to September 2015, Ms. Shao consecutively served as chief staff member and assistant consultant of the industrial transportation finance department of Ministry of Finance, assistant consultant and deputy director of the fiscal supervision department of Ministry of Finance and deputy director, director and deputy director-general of the supervision and inspection bureau of Ministry of Finance. Ms. Shao graduated from Dongbei University of Finance & Economics with a bachelor's degree in economics in 1987.

**Tian Bo**
**non-executive director**

Mr. Tian has served as non-executive director of the Bank since August 2019. Mr. Tian joined Huijin in 2019. From March 2006 to August 2019, Mr. Tian worked consecutively as division head of banking business department, division head and assistant general manager of corporate banking department, deputy general manager of trade finance department and deputy general manager of transaction banking department of BOC. From February 2016 to February 2018, Mr. Tian also served as a member of the Standing Committee of the CPC Municipal Committee and Vice Mayor of Fangchenggang City of Guangxi Zhuang Autonomous Region. From July 1994 to March 2006, Mr. Tian worked at Beijing Branch of ICBC and head office of China Minsheng Bank. Mr. Tian graduated from Beijing College of Finance and Trade with a bachelor's degree in finance in 1994 and obtained a master's degree in management from the Capital University of Economics and Business in 2004.

CORPORATE GOVERNANCE REPORT

## PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### Xia Yang

**non-executive director**

Mr. Xia has served as non-executive director of the Bank since August 2019. Mr. Xia joined Huijin in 2019. From August 1997 to September 2019, Mr. Xia worked in Hua Xia Bank, and consecutively served in various positions including general manager of asset custody department, general manager of Jinan Branch, general manager of Hefei Branch, deputy general manager and chief disciplinary officer of Hangzhou Branch, deputy general manager and chief disciplinary officer of Wenzhou Branch. From December 1988 to August 1997, Mr. Xia worked for Zhejiang Branch of ICBC and Hangzhou Branch of China Merchants Bank. Mr. Xia is a senior economist and accountant. Mr. Xia graduated from Nanjing University with a bachelor's degree in human and animal physiology in 1988; he graduated from Nanjing University with a PhD degree in management sciences and engineering in 2018.

### Liu Fang

**non-executive director**

Ms. Liu has served as non-executive director of the Bank since January 2021. Ms. Liu joined Huijin in 2021. Ms. Liu served as deputy director-general of the general affairs department (policy and regulation department) and counsel of SAFE from July 2019 to February 2021. From March 2015 to June 2019, she was deputy director-general of the General Affairs Department (Policy and Regulation Department) of SAFE. From July 1999 to February 2015, Ms. Liu consecutively served as chief staff member and deputy director of the balance of payments department of SAFE, deputy director and director of the general affairs department (policy and regulation department) of SAFE. Ms. Liu graduated from School of International Economics of Renmin University of China with a master's degree in economics in 1999.

### Li Lu

**non-executive director**

Ms. Li has served as non-executive director of the Bank since March 2023. Ms. Li joined Huijin in 2005. From January 2005 to March 2023, Ms. Li took up posts in Huijin including business manager and deputy senior manager of BOC equity management division of Bank Department, senior manager of research and support division of Banking Institution Management Department I, director of CCB division of Equity Management Department I, and managing director of Equity Management Department I. During her terms of office, Ms. Li worked as deputy general manager of Dongcheng Sub-branch, Beijing Branch, Bank of China from May 2012 to April 2013. Ms. Li obtained a bachelor's degree in economics from Capital University of Economics and Business in 2002 and received her master's degree of Science from University of Surrey in the United Kingdom in 2003.

**Kenneth Patrick Chung**
**independent non-executive director**

Mr. Chung has served as independent non-executive director of the Bank since November 2018. Mr. Chung served as independent non-executive director of ICBC from December 2009 to March 2017. He joined Deloitte Haskins and Sells London Office in 1980, became a partner of PricewaterhouseCoopers in 1992, and was a financial service specialist of PricewaterhouseCoopers (Hong Kong and the Chinese mainland) since 1996. Previously, he was the human resources partner of PricewaterhouseCoopers (Hong Kong), the responsible partner of the audit department of PricewaterhouseCoopers (Hong Kong and the Chinese mainland), the global lead partner of the audit engagement team for BOC, and the honorary treasurer of the Community Chest of Hong Kong. He also served as the audit head for the restructurings and initial public offerings of BOC, Bank of China (Hong Kong) Limited and Bank of Communications, and independent non-executive director of Prudential Corporation Asia. Mr. Chung currently serves as independent non-executive director of Sands China Ltd., Prudential Hong Kong Limited and Prudential General Insurance Hong Kong Limited, and trustee of Fu Tak Iam Foundation Limited. Mr. Chung is a member of the Institute of Chartered Accountants in England and Wales, a member of the Hong Kong Institute of Certified Public Accountants as well as a member of the Macau Society of Certified Practising Accountants, and obtained a bachelor's degree in economics from University of Durham.

**Graeme Wheeler**
**independent non-executive director**

Mr. Wheeler has served as independent non-executive director of the Bank since October 2019. Mr. Wheeler has served as non-executive director of Thyssen-Bornemisza Group since 2017. He served as governor of Reserve Bank of New Zealand from 2012 to 2017, non-executive director of Thyssen-Bornemisza Group and cofounder of Privatisation Analysis and Consulting Ltd. from 2010 to 2012, managing director responsible for operations of World Bank from 2006 to 2010, vice president and treasurer of World Bank from 2001 to 2006, director of financial products and services department of World Bank from 1997 to 2001, treasurer of New Zealand Debt Management Office (NZDMO) and deputy secretary to New Zealand Treasury from 1993 to 1997, director of macroeconomic Policy of New Zealand Treasury from 1990 to 1993, economic and financial counsellor of New Zealand Delegation to the OECD, Paris, from 1984 to 1990 and an advisor in the New Zealand Treasury from 1973 to 1984. Mr. Wheeler was awarded Companion of the New Zealand Order of Merit in 2018. Mr. Wheeler obtained his master's degree of commerce in economics from University of Auckland in 1972.

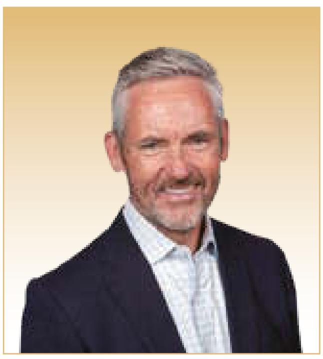
CORPORATE GOVERNANCE REPORT

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## Michel Madelain

**independent non-executive director**

Mr. Madelain has served as independent non-executive director of the Bank since January 2020. Mr. Madelain has been a member of the Supervisory Board of La Banque Postale in France since April 2018. From January 2018 to December 2023, he was trustee of the IFRS Foundation. In that capacity he chaired the Nominating Committee and played an active role in the setting up of the new sustainability board, the ISSB and the consolidation of existing standard setters in the UK and the United States of America with the IFRS Foundation. From June 2016 to December 2018, he was vice chairman of Moody's Investors Service (MIS). Concurrently, he served as chairman of Moody's European Boards and was a member of MIS US Board. From May 2008 to June 2016, he was president and chief operating officer of MIS, having previously assumed a number of positions in Europe and the USA with MIS from 1994 to May 2008. Under his leadership were launched Moody's first initiatives to support the Green bond markets through research and assessments. From May 1980 to May 1994, he worked with Ernst & Young in Belgium and France and was promoted to the partnership in 1989. Mr. Madelain is a Qualified Chartered Accountant of France. He obtained a master's degree in management from Kellogg Graduate School of Management of Northwestern University (USA) and a bachelor's degree in business administration from the Ecole Supérieure de Commerce de Rouen, France.



## William Coen

**independent non-executive director**

Mr. Coen has served as independent non-executive director of the Bank since June 2021. Mr. Coen has served as independent non-executive director of Buna, a cross-border payment system in the Arab region, from July 2022, as senior advisor, global financial services of KPMG from May 2022, and as member of Global Advisory Board of Mitsubishi UFJ Financial Group, Inc. from October 2021.He currently serves as a member of the Advisory Board of Baton Systems, Inc. since June 2021, and chief regulatory adviser for Suade Labs since April 2021. He has been chairman of the IFRS Advisory Council from February 2020, member of the board of directors of the Toronto Leadership Centre since November 2019 and technical advisor of the International Monetary Fund since July 2019. He served as secretary general of the Basel Committee on Banking Supervision from 2014 to 2019, deputy secretary general of the Basel Committee on Banking Supervision from 2007 to 2014, and supported BIS Financial Stability Institute from 2003 to 2006. Prior to joining the Basel Committee on Banking Supervision Secretariat in 1999, he consecutively worked with the US Office of Comptroller of the Currency and the US Board of Governors of the Federal Reserve System. Mr. Coen is currently a member of the Bretton Woods Committee and was a member of the Financial Stability Board and its standing committees. He obtained his Bachelor of Science Degree from Manhattan College in 1984 and his Master of Business Administration Degree from Fordham University in 1991.

## Leung Kam Chung

**Antony, independent non-executive director**

Mr. Leung has served as independent non-executive director of the Bank since October 2021. Mr. Leung, former Financial Secretary of the Hong Kong SAR, is chairman of Nan Fung Group in Hong Kong, chairman and co-founder of New Frontier Group, and served as chairman & co-founder of Solomon Learning. In addition, Mr. Leung is chairman of two charity organisations, namely Heifer Hong Kong and Food Angel. Mr. Leung had extensive experience in financial services, including chairman of Greater China Region of Blackstone Group, chairman of Asia for JP Morgan Chase and head of Private Banking for Asia, Investment Banking, Treasury Department and Greater China Region of Citi. Mr. Leung had also served as independent non-executive director of China Merchants Bank, Industrial and Commercial Bank of China, China Mobile (Hong Kong) Limited and American International Assurance (Hong Kong) Limited, international advisor of China Development Bank, chief executive officer of Nan Fung Group in Hong Kong and chairman of Hong Kong Association of Harvard Business School. Other public services that Mr. Leung had engaged in included non-official member of the Executive Council of the Hong Kong SAR, chairman of the Education Commission, chairman of the University Grants Committee, member of the Exchange Fund Advisory Committee, director of Hong Kong Airport Authority and director of Hong Kong Futures Exchange, member of the Preparatory Committee and Election Committee for the Hong Kong Special Administrative Region and Hong Kong Affairs Advisors. Mr. Leung graduated from the University of Hong Kong in 1973 and attended Harvard Business School's Programme for Management Development and Advanced Management Programme. Mr. Leung was conferred an honorary doctor of law by the Hong Kong University of Science and Technology in 1998.

## Lord Sassoon

**independent non-executive director**

Lord Sassoon has served as independent non-executive director of the Bank since October 2023. Lord Sassoon is a member of the International Advisory Council of the China Investment Corporation (CIC), president of the China-Britain Business Council (CBBC), chairman of The Sir John Soane's Museum, a trustee emeritus of the British Museum (served as trustee and deputy chairman from 2013 to 2021), and independent non-executive director of Barco NV, Arbuthnot Banking Group PLC, and Arbuthnot Latham & Co., Limited. He formerly served as a member of the Global Advisory Board of Mitsubishi UFJ Financial Group from 2013 to 2021, and a director of Jardine Matheson Holdings Limited and other Jardine group companies from 2013 to 2020. He was chairman of CBBC from 2013 to 2019, and president of the EU-China Business Association from 2013 to 2017. He was commercial secretary to the Treasury from 2010 to 2013 and chaired the Financial Action Task Force from 2007 to 2008. He served as a managing director in HM Treasury from 2002 to 2006 with responsibility for Financial Services and Enterprise Policy. During his career, he has had a consistent focus on business relating to Asia, and has participated in the UK-China Economic and Financial Dialogue since 2002. Lord Sassoon joined S.G. Warburg (later UBS Warburg) in 1985, becoming a managing director in 1995. He began his career at KPMG in 1977, qualifying as an associate of the Institute of Chartered Accountants in England and Wales. Lord Sassoon joined the House of Lords in 2010. He was educated at the University of Oxford, where he read philosophy, politics and economics, and obtained his master of arts degree in 1977.

### Supervisors of the Bank

**Lin Hong**
**shareholder representative supervisor**

Mr. Lin has served as supervisor of the Bank since December 2021. Mr. Lin has served as general manager of the audit department of the Bank since May 2018. Mr. Lin served as leader of the inspection team of CPC China Construction Bank Committee from May 2017 to May 2018, deputy general manager of the Jiangxi Branch of the Bank (general manager level) from March 2015 to May 2017, deputy secretary of the discipline inspection committee, deputy general manager of the disciplinary and supervisory department and deputy director of the inspection affairs office (general manager level) of the Bank from March 2007 to March 2015 and deputy general manager of the disciplinary and supervisory department of the Bank from August 2001 to March 2007. Mr. Lin is a senior accountant. He graduated from Jiangxi Finance and Economics College with a bachelor's degree in auditing in 1988 and obtained a PhD degree in industrial economics from Jiangxi University of Finance and Economics in 2008.

**Liu Jun**
**employee representative supervisor**

Mr. Liu has served as supervisor of the Bank since December 2021. Mr. Liu has served as general manager of Shanghai Branch of the Bank since February 2023. He served as chairman of CCB Principal Asset Management from July 2022 to February 2023. He served as general manager of Guangdong Branch of the Bank from December 2014 to March 2022. He served as head of Guangdong Branch of the Bank from November 2014 to December 2014, general manager of Shenzhen Branch of the Bank from April 2011 to November 2014, head of Shenzhen Branch of the Bank from March 2011 to April 2011, deputy general manager of Guangdong Branch of the Bank from September 2008 to March 2011, and assistant general manager of Guangdong Branch of the Bank from June 2006 to September 2008. Mr. Liu graduated from Anhui University with a bachelor's degree in law in 1986 and obtained an MBA degree from Hong Kong Baptist University in 2003.

**Zhao Xijun**
**external supervisor**

Mr. Zhao has served as supervisor of the Bank since June 2019. Mr. Zhao has served as joint dean of the China Capital Market Research Institute, Renmin University of China since 2020. He served as deputy dean of the School of Finance of Renmin University of China from 2005 to 2019, director of international office of Renmin University of China from 2001 to 2005, head of finance department of the School of Finance of Renmin University of China from 1995 to 2001 and a research fellow of the international department of the CSRC from 1994 to 1995. Mr. Zhao is independent non-executive director of China National Foreign Trade Financial & Leasing Co., Ltd. and iFLYTEK Co., Ltd. Mr. Zhao served as independent non-executive director of the Bank from August 2010 to March 2014. Mr. Zhao was a visiting scholar in University of Sherbrooke and McGill University, Canada from 1989 to 1990 and Nijenrode University, Netherlands from 1995 to 1996. Mr. Zhao graduated from Wuhan University with a bachelor's degree in Scientific French in 1985, completed his graduate studies from the finance department of Renmin University of China in 1987, and received his PhD degree from the School of Finance of Renmin University of China in 1999.

**Liu Huan**
**external supervisor**

Mr. Liu has served as supervisor of the Bank since June 2020. Mr. Liu is a counselor of the State Council and a professor of the School of Finance and Taxation of the Central University of Finance and Economics. He served as deputy dean of the School of Taxation, Central University of Finance and Economics from 2006 to 2016, deputy dean of the Department of Taxation, and deputy dean of the School of Finance and Public Administration from 1997 to 2006. From 2004 to 2005, he served as deputy director-general of the Local Taxation Bureau of Beijing Xicheng District and assistant director-general of the Local Taxation Bureau of Beijing. Mr. Liu serves as independent non-executive director of Motic (Xiamen) Electric Group Co., Ltd. and Zhejiang Sunoren Solar Technology Co., Ltd. He is a member of the Standing Committee and deputy director of the Economic Committee of the 11th, 12th and 13th Beijing Municipal Committee of the Chinese People's Political Consultative Conference. He is a visiting professor at School of Economics and Management of Tsinghua University, a visiting professor at the School of Overseas Education of Shanghai Jiaotong University and a supervisor of master's degree in taxation of the University of Chinese Academy of Social Sciences. Mr. Liu is a certified public accountant and graduated from the Central Institute for Fiscal and Finance with a bachelor's degree in economics in 1982.

**Ben Shenglin**
**external supervisor**

Mr. Ben has served as supervisor of the Bank since June 2020. Mr. Ben has served as a professor and doctoral supervisor of Zhejiang University since May 2014, executive director of the Institute of International Money, Renmin University of China since January 2014 and co-director since July 2018, dean of Academy of Internet Finance of Zhejiang University since April 2015 and dean of the International Business School of Zhejiang University since October 2018. Mr. Ben had served in senior positions in financial institutions including JPMorgan Chase Bank, HSBC, and ABN AMRO Bank. He currently serves as independent non-executive director of Zhejiang Orient Financial Holdings Group Co., Ltd., Industrial Bank Co., Ltd. and Caitong Securities Co., Ltd. Mr. Ben is a member of the Standing Committee of Zhejiang Provincial Committee of the Chinese People's Political and Consultative Conference and has served in social positions including chairman of the Zhejiang Association of FinTech. Mr. Ben graduated with a bachelor's degree in engineering from Tsinghua University in 1987, a master's degree in business administration from Renmin University of China in 1990, and a PhD degree in economics from Purdue University in 1994.

## Senior Management of the Bank

**Ji Zhihong**
**executive vice president**

See "Directors of the Bank".

**Li Yun**
**executive vice president**

Mr. Li has served as executive vice president of the Bank since November 2021. Mr. Li was general manager of Guizhou Branch of ABC from November 2017 to August 2021, head of Guizhou Branch from July 2017 to November 2017, general manager of the asset and liability management department/Sannong capital and fund management centre of ABC from May 2015 to July 2017, deputy general manager in charge of work of the strategic planning department of ABC from April 2014 to May 2015, deputy general manager of the strategic planning department from May 2011 to April 2014, deputy general manager of the strategic management department from December 2010 to May 2011. Mr. Li is a senior economist with special grants from the PRC government. Mr. Li graduated from Wuhan University with a master's degree in money and banking in September 1997 and obtained a PhD degree in world economics from the same university in July 2000.

**Wang Bing**
**executive vice president**

Mr. Wang has served as executive vice president of the Bank since March 2023. Mr. Wang has served concurrently as chairman of CCB Asia since March 2023. Mr. Wang served as deputy chief executive of BOC Hong Kong (Holdings) Limited and Bank of China (Hong Kong) Limited from December 2018 to December 2022, during which he also concurrently served as director and chairman of BOCI-Prudential Trustee Limited as well as BOC Group Trustee Company Limited, and director of BOC Group Insurance Company Limited. Mr. Wang served as general manager of Jiangsu Branch of the BOC from July 2015 to October 2018, general manager of Ningbo Branch of BOC from July 2014 to July 2015, deputy general manager of Jiangsu Branch of BOC from January 2011 to July 2014, and assistant general manager of Jiangsu Branch of BOC from April 2009 to January 2011. Mr. Wang is an economist. He graduated from Soochow University with a master's degree in English Language and Literature in 1996. He also obtained an MBA degree from City University of London in the UK in 2007.

**Li Min**
**executive vice president**

Mr. Li has served as executive vice president of the Bank since September 2023. He has served as general manager of the human resources department of the Bank since August 2019, and concurrently served as non-executive director of China Construction Bank (Asia) since April 2021. He concurrently served as executive vice president of CCB Learning Centre from July 2019 to December 2022. He served as general manager of Hebei Branch of the Bank from April 2017 to August 2019, deputy general manager of Guangdong Branch of the Bank from September 2012 to February 2017, and assistant general manager of Guangdong Branch of the Bank from May 2010 to June 2012. Mr. Li is a senior accountant. He graduated from Xi'an Jiaotong University with a bachelor's degree in audit in July 1993, and obtained a master's degree in economics from Wuhan University majoring in finance in June 2002.

**Hu Changmiao**
**secretary to the Board**

Mr. Hu has served as secretary to the Board of the Bank since May 2019. Mr. Hu served as general manager of the Board of Directors Office of the Bank from December 2018 to April 2022. He served as chairman of CCB Financial Leasing from August 2016 to December 2018, general manager of Guangxi Branch of the Bank from February 2012 to August 2016, general manager of public relations & corporate culture department of the Bank from March 2006 to February 2012, and deputy general manager in charge of the management of the board of director office of the Bank from June 2005 to March 2006. He served as deputy general manager of the executive office of the Bank from December 2004 to June 2005, deputy general manager of credit card centre of the Bank from March 2003 to December 2004, and deputy general manager of personal banking department of the Bank from July 2001 to March 2003. Mr. Hu is a senior economist. He graduated from Peking University with a master of science degree in economic geography in 1986.

**Jin Panshi**
**chief information officer**

Mr. Jin has served as chief information officer of the Bank since March 2021. Mr. Jin served as information controller of the Bank from February 2018 to March 2021. He served as general manager of the information technology management department of the Bank from January 2010 to February 2018, general manager of the audit department of the Bank from December 2007 to January 2010, deputy director of the board of supervisors' office from November 2004 to December 2007, deputy general manager of the audit department of the Bank from June 2001 to October 2004. He was concurrently supervisor of the Bank from October 2004 to November 2016. Mr. Jin is a senior engineer and a certified information systems auditor. He graduated from Jilin University of Technology with a bachelor's degree and a master's degree in computer application in 1986 and 1989 respectively, and obtained an EMBA degree from Tsinghua University in 2010.

**Sheng Liurong**
**chief financial officer**

Mr. Sheng has served as chief financial officer of the Bank since November 2022. Mr. Sheng has concurrently served as chairman of CCB Principal Asset Management since September 2023, and served as general manager of asset and liability management department of the Bank since March 2020. Mr. Sheng concurrently served as non-executive director of CCB Financial Leasing from August 2018 to October 2023.He served as head and general manager of the financial market department of the Bank from September 2017 to March 2020, general manager of Xiamen Branch of the Bank from July 2014 to September 2017, deputy general manager of Xiamen Branch of the Bank from October 2003 to July 2014, and head of the preparation team of Chile Branch of the Bank from May 2013 to July 2014. Mr. Sheng is a senior economist. He graduated from Xiamen University with a bachelor's degree in finance in 1986, a master's degree in money and banking in 1990, and obtained a PhD degree in economics from Xiamen University in 1997.

## Remuneration of Directors, Supervisors and Senior Management

### Remuneration policy for directors, supervisors and senior management

The Bank has specified standards in relation to the remuneration policy for directors, supervisors and senior management. The remuneration policy for enterprise leaders administered by CPC Central Committee complies with the relevant measures on remuneration for heads of financial enterprises under central administration. The Bank's remuneration policy for other directors, supervisors and senior executives is based on the principle of the combination of incentives and disciplines, short-term incentives and long-term incentives, and governmental regulations and market adjustment. The Bank has adopted a structured remuneration system composed of basic annual salary, performance-based annual salary and welfare income. The Bank participates in relevant PRC mandatory retirement schemes for its directors, supervisors, senior management and other employees. Apart from the tenure incentive remuneration to enterprise leaders administered by CPC Central Committee in accordance with state regulations, the Bank does not implement mid-term or long-term incentive plan for other directors, supervisors or senior executives.

#### Incentive clawback mechanism and bonuses

The Bank has established an incentive clawback mechanism. If the enterprise leaders make a significant mistake or cause significant losses to the enterprise during their term, the Bank will claw back part or all of their performance annual salary or term incentive income paid previously. The Bank strictly implements the deferred payment and clawback rules for performance compensation of key personnel. For employees who have received disciplinary action or other penalties due to violation of regulations or dereliction of duty, their salaries are deducted in accordance with relevant regulations.

#### Payment linked to sustainability

The Bank has established a performance appraisal mechanism for the executive directors, shareholder representative supervisors and the senior management, whose remuneration is directly linked to the results of the appraisal. In accordance with regulatory policy requirements, articles of association and annual operation plans, the performance appraisal attaches importance to sustainable development and includes quantitative and qualitative sustainability-related indicators. Specifically, quantitative indicators are mainly related to services for emerging industries and ecological civilisation construction, and assess the support of emerging industry loans and green loans for industrial development; for qualitative indicators, it is clearly required to "improve the green financial service system and leverage more resources towards green and low-carbon industries", and the Bank focuses on implementing new development philosophy, promoting business transformation and development innovation, continuously improving corporate governance, actively safeguarding the legitimate rights and interests of shareholders, and carrying out social responsibilities. With the establishment of relevant indicators, the Bank has continuously tightened the link between sustainable development performance and executive compensation, better achieved the goals and tasks of relevant sustainable development indicators, and effectively wielded the role of incentive and constraint of compensation.

## Remuneration of directors, supervisors and senior management for the year 2023

(In thousands of RMB)

| Name | Allowance | Remuneration paid | Contribution by the employer to social insurance, housing fund, etc. | Total (before tax)[1] | Beginning/ ending month of remuneration received |
|---|---|---|---|---|---|
| Zhang Jinliang | – | 672.6 | 210.8 | 883.4 | Full year |
| Ji Zhihong | – | 605.3 | 205.4 | 810.7 | Full year |
| Shao Min[2] | – | – | – | – | N/A |
| Tian Bo[2] | – | – | – | – | N/A |
| Xia Yang[2] | – | – | – | – | N/A |
| Liu Fang[2] | – | – | – | – | N/A |
| Li Lu[2] | – | – | – | – | N/A |
| Kenneth Patrick Chung | 440.0 | – | – | 440.0 | Full year |
| Graeme Wheeler | 440.0 | – | – | 440.0 | Full year |
| Michel Madelain | 430.0 | – | – | 430.0 | Full year |
| William Coen | 390.0 | – | – | 390.0 | Full year |
| Leung Kam Chung, Antony | 410.0 | – | – | 410.0 | Full year |
| Lord Sassoon | 97.5 | – | – | 97.5 | October – December |
| Lin Hong | – | 1231.9 | 288.0 | 1,519.9 | Full year |
| Liu Jun[3] | 50.0 | – | – | 50.0 | Full year |
| Zhao Xijun | 290.0 | – | – | 290.0 | Full year |
| Liu Huan | 270.0 | – | – | 270.0 | Full year |
| Ben Shenglin | 250.0 | – | – | 250.0 | Full year |
| Li Yun | – | 605.3 | 205.4 | 810.7 | Full year |
| Wang Bing | – | 605.3 | 205.4 | 810.7 | Full year |
| Li Min | – | 151.3 | 52.8 | 204.1 | October – December |
| Hu Changmiao | – | 1,477.9 | 312.1 | 1,790.0 | Full year |
| Jin Panshi | – | 1,478.2 | 312.1 | 1,790.3 | Full year |
| Sheng Liurong | – | 1,478.2 | 297.7 | 1,775.9 | Full year |
| **Resigned directors, supervisors and senior management** | | | | | |
| Tian Guoli | – | 672.6 | 210.8 | 883.4 | Full year |
| Cui Yong | – | 605.3 | 205.4 | 810.7 | Full year |
| Xu Jiandong[2] | – | – | – | – | N/A |
| Sir Malcolm Christopher McCarthy | 205.0 | – | – | 205.0 | January – June |
| Wang Yongqing | – | 504.4 | 156.8 | 661.2 | January – September |
| Wang Yi[3] | 16.7 | – | – | 16.7 | January – April |
| Zhang Min | – | 100.9 | 33.3 | 134.2 | January – February |
| Cheng Yuanguo | – | 837.2 | 179.0 | 1,016.2 | January – July |

1. Remuneration of the Bank's leaders administered by CPC Central Committee has been paid in accordance with the State's remuneration reform policies since 2015.
2. Non-executive directors of the Bank receive their remuneration from Huijin, the shareholder of the Bank. Save as disclosed above, none of other directors received any remuneration from the related parties of the Bank.
3. Remuneration before tax paid for acting as employee representative supervisor of the Bank.
4. As some of the Bank's non-executive directors and external supervisors hold positions of directors or senior management in other legal persons or organisations, such legal persons or organisations thus become related parties of the Bank. Apart from this, none of the Bank's directors, supervisors or senior management received remuneration from the related parties of the Bank.
5. In August 2023, the nomination and remuneration committee under the Board of the Bank reviewed and approved the remuneration distribution and settlement plan for directors, supervisors and senior management for 2022, and submitted to the Board for consideration and approval. Every director abstained from voting on his or her own remuneration for 2022.
6. The total compensation for some directors, supervisors and senior executives for 2023 have not yet been finalised in accordance with the regulations of relevant government authorities. The final total compensation will be disclosed by the Bank separately after it is determined.

# WORKERS' HARBOURS

We believe that people's joy and sorrow in ordinary life are intertwined, and we strive to extend respect and love at our "Workers' Harbours+" around the corners.

CORPORATE GOVERNANCE REPORT

EMPLOYEES

## EMPLOYEES

At the end of 2023, the Group had 376,871 employees, a 0.05% increase from 2022. The number of employees with academic qualifications of bachelor's degree or above was 299,949 or 79.59%. Besides there were 3,624 workers dispatched from labour leasing companies, a decrease of 1.58% from 2022. In addition, the Group assumed the expenses of 113,493 retired employees.

The Group attached importance to gender diversity of employees. At the end of 2023, the proportion of male and female employees (including senior executives) of the Group was 46.62% and 53.38% respectively. The Group fully respected individual differences of talents and was committed to providing equal opportunities for employees. The Group is expected to maintain a reasonable level of gender diversity of employees.

The compositions of the Group's employees by age, academic qualification and responsibilities are as follows:

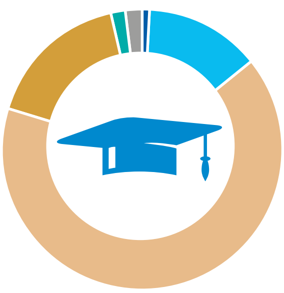
### Gender

| | % of total |
|---|---|
| Male 175,696 | 46.62% |
| Female 201,175 | 53.38% |

### Age

| | % of total |
|---|---|
| Under 30 92,188 | 24.46% |
| 31 to 40 113,350 | 30.08% |
| 41 to 50 80,700 | 21.41% |
| 51 to 59 90,270 | 23.95% |
| Over 60 363 | 0.10% |

### Academic qualification



| | % of total |
|---|---|
| Doctor's degree 740 | 0.20% |
| Master's degree 50,427 | 13.38% |
| Bachelor's degree 248,782 | 66.01% |
| Associate degree 63,596 | 16.87% |
| Post-secondary 6,312 | 1.68% |
| High school and below 7,014 | 1.86% |

### Responsibilities

| | % of total |
|---|---|
| Management 10,354 | 2.75% |
| Corporate banking 32,172 | 8.54% |
| Personal banking 40,943 | 10.86% |
| Treasury and asset management 1,562 | 0.41% |
| Risk management 19,567 | 5.19% |
| Technology and channel operation 28,344 | 7.52% |
| Comprehensive management 24,440 | 6.48% |
| Operating outlets and integrated tellers 190,798 | 50.63% |
| Employees of subsidiaries 23,347 | 6.20% |
| Others 5.344 | 1.42% |

Total 376,871

The following table sets forth, as at the date indicated, the geographical distribution of the Bank's branches and employees:

| | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|
| | Number of employees | % of total | Number of employees | % of total |
| Yangtze River Delta | 53,411 | 14.17 | 52,619 | 13.97 |
| Pearl River Delta | 45,172 | 11.99 | 45,147 | 11.99 |
| Bohai Rim | 58,337 | 15.48 | 58,009 | 15.40 |
| Central | 71,514 | 18.98 | 72,056 | 19.13 |
| Western | 75,696 | 20.09 | 75,140 | 19.95 |
| Northeastern | 33,242 | 8.82 | 33,843 | 8.98 |
| Head office [1] | 14,787 | 3.92 | 14,429 | 3.83 |
| Overseas branches | 1,365 | 0.36 | 1,345 | 0.36 |
| Subsidiaries | 23,347 | 6.19 | 24,094 | 6.39 |
| Domestic | 18,252 | 4.84 | 19,107 | 5.07 |
| Overseas | 5,095 | 1.35 | 4,987 | 1.32 |
| Total | 376,871 | 100.00 | 376,682 | 100.00 |

1. Including employees of the head office, credit card centre, learning centre and institutions directly under the head office.

### Staff Remuneration Policies

The Bank is committed to maintaining order and harmony in remuneration allocation, and continuously improves the standard of performance and remuneration management to serve the development of the Bank.

Pursuant to relevant government policies regarding remuneration reform for heads of state-owned enterprise, remuneration for the Bank's leaders administered by the CPC Central Committee include three parts, namely the basic annual salary, performance-based annual salary and tenure incentive income. The Bank has established an incentive clawback mechanism. If the enterprise leaders make a significant mistake or cause significant losses to the enterprise during their term, the Bank will claw back part or all of the performance-based annual salary and tenure incentive income paid previously. The Bank's major allocation policies and other significant matters related to remuneration management need to be reviewed by the nomination and remuneration committee under the Board. Material proposals related to remuneration allocation need to be voted at and approved by the shareholders' general meeting or reported to the competent government authorities for approval or filing.

The Bank made full use of remuneration allocation to motivate and constrain its employees. The Bank established an appraisal and allocation concept encouraging value creation, and allocated more salary resources to operating institutions, front office departments, and positions that directly create value. It further optimised the incentive and protective policies for outlet staff by establishing a special subsidy system for staff at outlets in remote counties or under harsh conditions, to enhance the sense of gain for staff members. The Bank strengthened the role of performance appraisal to improve the cost-efficiency of its human resources and match remuneration to performance. The Bank strictly implemented deferred payment and clawback rules for performance-based remuneration to personnel at key positions. Remuneration for employees subject to disciplinary or other penalties due to violation of rules or breach of duties were deducted in accordance with relevant measures.

◆ The graph shows the business exchange among staff of CCB London.

### Regular Staff Performance Appraisal and Feedback

The Bank has set special rules on performance management, which clarify the management requirements for all employees' assessment method, assessment process, assessment result feedback, etc., and unify performance appraisal orientation. The employee assessment methods mainly include quarterly assessment and annual assessment, and the annual assessment is based on quarterly assessment. The assessment covers all employees, and the assessment process includes four steps: performance plan formulation, performance implementation and coaching, performance appraisal and feedback, and application and improvement of assessment results. In the stage of feedback of assessment results, the direct supervisor conducts performance feedback conversations with employees, and works out improvement measures. Institutions at all levels widely solicit employees' opinions and suggestions through democratic procedures such as employee congresses, refine the employee performance appraisal rules in light of their own actual conditions, which are announced to employees in a timely manner, so as to achieve fairness, justice, openness and transparency.

### Staff Development and Training

The Bank formulates annual education and training plans based on the actual needs in promoting strategy implementation and business development, implementing the requirements of regulatory and other authorities, and cultivating professional talents. In line with the principles of joint building and sharing, targeted training, and full coverage of all employees, the Bank carries out classified and tiered training through multiple channels and methods based on the post and duty characteristics of employees, and requirements for ability to perform duties. It implements the training demand plans through the scientific and efficient training operation structure, and helps employees establish the concept of lifelong learning and improve professional skills and ability to cope with new businesses and challenges. The Bank also strengthens employee training and development planning, improves the system of rules for training management, develops and applies digital training system tools, and optimises the training resource allocation mechanism to further enhance the scientific, rule-based and standardised training, and assist in the Bank's high-quality development with high-quality training.

The Bank continued to develop a training system based on the full cycle of employees' career development to help talents grow. The Bank created a three-pillar training model for young employees, namely "orientation + integration plan + management trainee", to enhance their problem-solving and innovation abilities. It developed a three-position training system for grassroots outlets, invested more training resources to the frontline, and iteratively optimised the learning programmes of "Together with the Best" for general managers of outlets, "Be Better with You" for client managers and "Talent with Integrity" for customer service managers to comprehensively enhance the capabilities of outlet employees to adapt to their jobs. A leadership training system for managers was built, and a three-tier leadership advancement system of "outlets managers – county-level sub-branch managers – tier-two branch managers" was developed. The Bank strengthened the building of core teaching and research capabilities and developed sets of influential courses, teaching materials, cases and research achievements. A total of 116 thousand employees obtained the certificate of CCBU Financial Planner and 34 thousand employees obtained the certificate of customer service managers. Thus the Bank built a training service system covering all business segment and employees at different levels.

In 2023, the Group organised 41,955 on-site training sessions with a total enrolment of 2,121 thousand participants and 30,014 thousand hours of training. A total of 373 thousand people took part in online training (including learning through online platforms) for 36,091 thousand hours. The proportion of those who participated in on-site and online training sessions reached 98.3% of all staff members.

### Progress of Implementation of Employee Stock Incentive Plan

The Bank implemented the first phase of the employee stock incentive plan in July 2007. For details, please refer to the announcement published by the Bank on 6 July 2007. The Bank had not added new participants or implemented new phase of stock incentive plan ever since. In the future, the Bank will pay close attention to regulatory policies and industry trends and explore innovative incentives as appropriate. The shareholders' general meeting of the Bank has reviewed and approved the *Proposal on the Amendment to the Articles of Association of China Construction Bank Corporation* to include share repurchase, share incentive and employee shareholding in the Articles of Association. In particular, Article 74 stipulates that the shareholders' general meeting shall review the share incentive scheme and the employee stock ownership scheme, and Article 131 stipulates that the board of directors should develop the share incentive scheme and the employee stock ownership scheme. The revised Articles of Association came into effect on 3 January 2024 upon approval of the NFRA.

## INTERNAL CONTROL

The objective of the internal control of the Bank is to reasonably ensure the compliance of operation and management with laws and regulations, the safety of assets, and the truthfulness and completeness of financial reports and related information, improve operational efficiency and effectiveness, and facilitate the realisation of development strategies. The Board is responsible for establishing and improving internal controls, implement them effectively, evaluating its effectiveness, and supervising the effective operation of internal control system according to the requirements regarding the standardised system of enterprise internal control. Considering that the purpose of the risk management and internal control system is to manage rather than eliminate the risk of failing to achieve business objectives, the Board can only reasonably but not absolutely guarantee that the relevant rules can prevent any major misrepresentation or loss. The board of supervisors supervises the establishment and implementation of internal control of the Board. The senior management is responsible for organising and leading the daily operation of internal control.

In 2023, the Bank continued to improve the digital monitoring mechanism, and strengthened the support of internal control management tools based on its internal control evaluation system and business compliance platform to enhance the effectiveness of the Bank's internal control management with high-quality and efficient internal control evaluation. First, focusing on regulatory concerns and key business processes in operation and management, the Bank continued to improve the scoring indicators and evaluation points, organised Bank-wide evaluation, and continuously enhanced the relevance and effectiveness of internal control evaluation. Second, the Bank expanded the coverage of institutions by combining on-site internal control assessment with compliance inspections, and closely monitored problem-prone points to further raise the efficiency of problem identification. Third, the Bank effectively followed up the problems and defects identified in the internal control evaluation, and urged all related departments and branches to actively promote policy improvement, procedure optimisation and IT controls through fundamental and systematic rectification of defects, so as to promote the continuous improvement of the quality and efficiency of internal control and management.

The Board and its audit committee assess the effectiveness of internal control and review the internal control assessment report annually. The assessment conclusion is that at the end of 2023, there was no material deficiency in the internal control over financial reporting of the Bank, and no material deficiency was detected in the internal control over non-financial reporting. The Board believed that the Bank conducted effective internal control over financial reporting in all major aspects in compliance with the requirements regarding the standardised system of enterprise internal control and other relevant regulations.

The Bank engaged Ernst & Young Hua Ming LLP as the auditor of internal control. The audit opinion on internal control was in line with the Bank's assessment conclusion on the effectiveness of internal control over financial reporting. The disclosure of material deficiency of internal control over non-financial reporting in the audit report of internal control was in line with the disclosure of the internal control assessment report of the Bank.

For detailed information of internal control, please refer to the internal control assessment report and the audit report on internal control of the Bank published on the websites of Shanghai Stock Exchange, the HKEXnews of Hong Kong Exchanges and Clearing Limited, and the Bank.

## SHAREHOLDERS' RIGHTS

### Right to Convene an Extraordinary Shareholders' General Meeting

Any shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank, has the right to request the Board in writing to convene an extraordinary general meeting.

The Board shall reply in writing within ten days after receiving the request. In case the Board approves the holding of the meeting, it shall issue a corresponding meeting notice within five days after the resolution is made. In case the Board refuses to hold the meeting or makes no reply, the proposing shareholder may propose to the board of supervisors in writing. In case the board of supervisors approves the holding of the meeting, it shall issue a corresponding meeting notice within five days after receiving the proposal. In case the board of supervisors does not issue the meeting notice, the shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank for more than 90 consecutive days, may convene and preside over an extraordinary general meeting on its own.

### Right to Raise Proposals to the Shareholders' General Meeting

Any shareholder, individually or jointly holding more than 3% of the total issued voting shares of the Bank, has the right to raise proposals to the shareholders' general meeting. Any shareholder, individually or jointly holding more than 1% of the total issued voting shares of the Bank, has the right to raise proposals regarding the nomination of the candidates for independent non-executive directors and external supervisors.

Proposals to the shareholders' general meeting shall be submitted to the organiser of such meeting prior to the issuance of the notice of such meeting; after the issuance of the notice, any shareholder, individually or jointly holding more than 3% of the total issued voting shares of the Bank, has the right to raise extraordinary proposals. Extraordinary proposals shall be put forth and submitted to the organiser of the meeting in writing 15 days prior to the meeting.

### Right to Raise Proposals to the Board

Any shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank, may raise proposals to the Board.

### Right to Raise Enquiries to the Bank

In accordance with the Bank's Articles of Association, shareholders have the right to obtain relevant information of the Bank, including the Articles of Association, status of the share capital, financial report, report of the board of directors and report of the board of supervisors.

## INVESTOR RELATIONS

### Effective Communication with Shareholders

The Board and the management attach great importance to communication with shareholders. In 2023, the Bank comprehensively used online and offline methods to organise various investor communication activities as a bridge of close communication with the market. It conveyed to investors, the media and the public the Bank's efforts in implementing the new development philosophy completely, accurately and comprehensively, better serving the real economy, further promoting the New Finance initiatives, and boosting its high-quality development, and fully responded to the concerns of the market. The Bank held annual and interim on-site results press conferences in Beijing and Hong Kong at the same time and webcast the conferences to the public. It conducted roadshows in domestic and overseas major capital markets after the release of the results and had face-to-face exchanges with investors. The Bank convened quarterly results meetings by way of online text interaction or teleconference. It sponsored the first event of the first "Know About Listed Companies: Blue-chip Companies" activity jointly held by the China Securities Investor Service Centre and CSRC Beijing Bureau, and held the 2023 Enterprise Open Day, inviting investors to conduct on-site surveys in the Bank. The Bank also strengthened communication with domestic and overseas investors through the shareholders' general meetings, investment forums, research meetings, the Group's website, investor hotline, mailbox and other methods, and had exchanges with several thousand domestic and overseas investors and analysts.

After implementation and review of the above measures, the Bank believes that the current shareholder communication policy is adequate and effective.

### Shareholder Enquiries

Any enquiries from shareholders related to shareholding, including transfer of shares, change of address, loss reporting of share certificates and dividend notes, should be sent in writing to the following addresses:

**A-share:**

China Securities Depository and Clearing Corporation Limited, Shanghai Branch
No. 188 Yanggaonan Road, Pudong New District, Shanghai
Telephone: 86-4008058058

**H-share:**

Computershare Hong Kong Investor Services Limited
17M/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Telephone: 852-28628555
Facsimile: 852-28650990

### Investor Enquiries

Enquiries from investors to the Board may be directed to:

Board of Directors Office
China Construction Bank Corporation
No. 25, Financial Street, Xicheng District, Beijing, China
Telephone: 8610-66215533
Facsimile: 8610-66218888
Email: ir@ccb.com

Board of Directors Office – Hong Kong Office
China Construction Bank Corporation
29/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
Telephone: 852-39186212

This annual report is available on the website of the Bank (www.ccb.cn, www.ccb.com), the website of Shanghai Stock Exchange (www.sse.com.cn) and the HKEXnews website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). If you have any queries on this annual report, please call our hotline at 8610-66215533 or 852-39186212. If you have any comment or suggestions on the annual report preparation, please send email to ir@ccb.com.

## OTHER CORPORATE GOVERNANCE INFORMATION

### Corporate Culture

For details of the Bank's corporate culture, please refer to "Corporate Introduction".

### Risk Management

For details of the Bank's risk management, please refer to "Management Discussion and Analysis".

### Insider Information Management

For details of the Bank's insider information management, please refer to the "Report of the Board of Directors".

### Independence of Independent Non-Executive Directors

For details of the independence of independent non-executive directors of the Bank, please refer to "Report of the Board of Directors".

### Auditors' Remuneration and Auditor Related Matters

For details on the auditors' remuneration and auditor related matters of the Bank, please refer to "Major Issues – Auditors".

# ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

We uphold the principle of "financial services for the people" and forge ahead steadfastly in the journey of promoting high-quality economic and social development.

# ENVIRONMENTAL AND SOCIAL RESPONSIBILITY (ENVIRONMENTAL, SOCIAL AND GOVERNANCE)

The Bank implements the new development concept in a complete and accurate manner, unswervingly follows the path of financial development with Chinese characteristics, pushes forward the New Finance Initiative, and fully integrates environmental, social, and governance (ESG) elements into strategic decision-making and operating management. The Bank continues to improve the long-term mechanism for green development, expands the coverage of financial services, serves the society and people's well-being, and promotes high-quality and sustainable economic and social development. In 2023, the Bank's ESG performance has been highly recognised externally, achieved a MSCI ESG AA rating, maintaining a leading level of ESG ratings among the world's largest commercial banks, moving towards the strategic vision of "Striving to become a world-leading sustainable development bank".

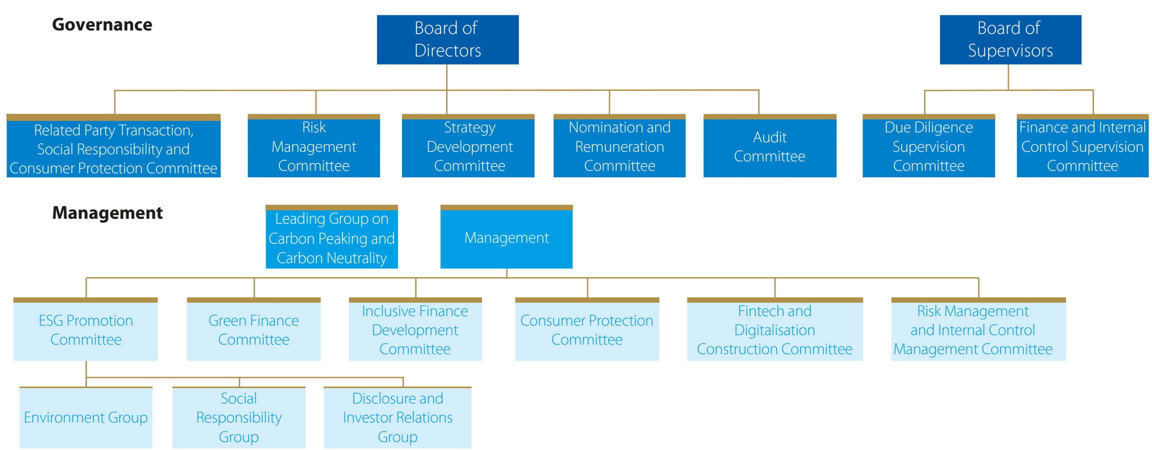
Please refer to the Bank's *2023 Corporate Social Responsibility Report* for the fulfilment of corporate social responsibilities and ESG information.

## ESG GOVERNANCE

### ESG Governance Structure

The Bank has established a top-down and well-structured ESG governance framework, which fully covers the board of directors, the board of supervisors, and all levels of the management. Concurrently, it is optimising the long-term mechanism for ESG governance, carrying out ESG management in an orderly way, and endeavoured to achieve high-quality and sustainable development across the Bank.

The Bank's ESG governance structure is as follows:




### Responsibilities and Work Performance

#### The board of directors and specialised committees

The Bank's board of directors shoulders the ultimate responsibility for the formulation and implementation of ESG strategies and climate-related strategies of the Bank Group. It specifies the goals and key tasks of ESG strategies as well as management priorities, develops climate-related control structures, and reviews product innovation strategies and the corresponding risk management policies. Meanwhile, the board of directors supervises and assesses the implementation effects of ESG strategies, gives guidance on ESG risk identification and assessment, and regularly inspects the relevant goals and implementation progress. Additionally, it listens to reports made by its committees and the management on ESG and climate-related matters, and gives guidance on the relevant information disclosure. The board of directors, in 2023, reviewed and approved the *Environmental, Social and Governance Work Plan (2023-2025)*, analysed the current situation, key and difficult issues of ESG, and future external trends, and specified the general working ideas and key tasks.

The related party transaction, social responsibility and consumer protection committee under the board of directors takes charge of the overall promotion of ESG. It analyses and drafts the strategies, policies, and goals related to ESG (including climate change), social responsibilities, green finance, inclusive finance, rural revitalisation finance, housing rental, consumer rights protection, and related-party transactions, and also listens to thematic reports on a regular basis and supervises and assesses the implementation. Meanwhile, it supervises and gives guidance on product and service review, supervises and reinforces customer privacy and information protection, and drives the improvement on the quality and efficiency of consumer rights protection. It also tracks complaint management by quarter, and effectively supervises the orderly operation of consumer rights protection. Moreover, the committee organises and holds special seminars on ESG risk management, environmental target setup, and ESG information disclosure, analyses ESG trends and the Bank's current work, and gives constructive opinions.

The risk management committee under the board of directors supervises and gives guidance on ESG-related risk management, including climate change risk. It drives stress testing of climate transition risk, follows up on the risk quantification of ESG-related factors, and gives guidance on optimisation of credit policies for the industry. Furthermore, it supervises information technology and cybersecurity risk control, constantly strengthens the disaster recovery of information systems, and listens to the reports on review of product and service innovation as well as tasks related to risk prevention and control. The committee, in 2023, urged the management to enhance forward-looking management of environmental and climate risks, incorporated environmental, climate, and biodiversity risks as well as information technology risk into the Group's risk appetite. It also listened to and discussed the reports on environmental and climate risk analysis and risk quantification of ESG-related factors, analysed the difficulties in environmental and climate risk control and the subsequent measures, and promoted the building of the corporate customer ESG rating system and climate risk stress testing. Additionally, it reviewed and approved two management measures for information technology risk and information technology outsourcing risk, and further consolidated the information security management policy system.

The strategy development committee, the audit committee, and the nomination and remuneration committee under the board of directors, based on their duties, supervise, and guide the ESG promotion work of the Bank. Specifically, the strategy development committee assists the board of directors in setting up ESG strategic objectives, and fully considers ESG-related factors in all strategic objectives. The audit committee urges the audit function to play the role of the third line of defence and pushes forward the remediation of ESG-related issues. It listened to the work plan for the preparation of regular reports, and urged collaborated efforts in ESG-related disclosure. The nomination and remuneration committee continuously tracks employee growth, remuneration and welfare. It also listened to reports on the career development of the Bank's female employees, the progress of CCB Learning Centre, and influences of ESG promotion and digital transformation on human resources and employee policies.

### The board of supervisors

The board of supervisors of the Bank attaches great importance to the establishment and operation of the Bank's ESG framework, ensuring that ESG management, corporate governance, green finance, and consumer protection are included in the scope of supervision. The board of supervisors supervises the performance of the ESG-related responsibilities of the board of directors and the management, continuously monitors the implementation of ESG strategies and key initiatives, and provides supervisory suggestions on strengthening top-level design, solidifying foundational management, enhancing risk control, and improving capacity building. The board of supervisors, in 2023, conducted specialised researches on the New Finance initiatives and sought to develop an in-depth understanding of developments in key areas, such as inclusive finance, housing rental, FinTech, smart government affairs, and rural revitalisation. It also offered constructive supervisory recommendations. Meanwhile, it followed up on the ESG rating and the key initiatives, and gained a comprehensive understanding of changes in the scores of key indicators of the Bank ratings and the key tasks. Furthermore, it listened to special reports on green finance and consumer rights protection, reviewed the annual corporate social responsibility report, paid constant attention to serving small and micro businesses, meeting people's housing demand, driving pension finance, and participating in social welfare, and ensured that the Bank fully fulfilled social responsibilities.

### The management

The management proactively implements the strategic arrangements of the board of directors. It formulates ESG objectives and major tasks and promotes the implementation in the relevant departments of the Head Office, domestic and overseas branches and subsidiaries. The Bank has established the ESG promotion committee, which is responsible for promoting the Bank's ESG strategic planning, arrangements, and coordination. The president acts as the chairman of the committee, and there are three working groups of environment, social responsibility, and information disclosure and investor relations under it, as well as 34 member departments (institutions), all of which promote the performance of ESG tasks orderly and synergistically. The committee, in 2023, held an annual work conference to systematically summarise the ESG work results in 2023, analysed key and difficult issues in ESG and climate risks and opportunity management, and made arrangements for key tasks in the next phase.

In terms of environment, the leading group for carbon peaking and carbon neutrality is established. The chairman of the board of directors serves as the leader, while the president serves as the deputy leader. The group aims to support the realisation of carbon peaking and carbon neutrality goals based on the New Finance initiatives. The green finance committee is set up, led by the president, to coordinate green finance development of the Bank, study and decide on material issues to promote green finance business, and plan and arrange the key directions and measures of green finance development across the Bank. The committee, in 2023, held an annual work conference to convey the major policies and key points of meetings related to green finance of the CPC Central Committee and the State Council, and make forward-looking arrangements for the key tasks in green finance business across the Bank in the next phase.

In social aspects, the Bank has set up the inclusive finance development committee to coordinate the strategic development of inclusive finance across the Bank, and review major operation and management matters related to inclusive finance. The FinTech and digitalisation construction committee is set up to make overall planning for the promotion, coordination, and decision-making of the Group's FinTech and digitalised operation, and to study the Bank's strategies, policies and development direction of Fintech and digitalised operation. The consumer protection committee is established to plan, arrange, promote, and supervise the consumer rights protection measures in an overall manner, systematically organise and promote the implementation of such plans and arrangements, constantly track the relevant implementation results, and support personal customer information protection on the level of consumer rights protection. The risk and internal control management committee is established to incorporate ESG-related risks, such as environmental and climate risks, compliance risk, operational risk, and reputational risk, into the comprehensive risk management system, and hold regular meetings to follow up on work progress and make arrangements for important matters.

## CORPORATE BEHAVIOUR

The Bank coordinates the key tasks in business ethics, such as practices against bribery, corruption, money laundering and fraud, employee behaviour management, and operational risk management, constantly expands internal and external channels for supervision and whistleblowing, and strictly protects whistleblowers. It has formulated high business ethics covering all employees, regularly conducted training and audit supervision. The Bank's management regularly reports to the risk management committee of the board of directors on compliance risks, case prevention and control, and other special work on corporate behaviour, so as to promote the effective implementation of management and supervision measures.

### Anti-Bribery and Anti-Corruption

A framework for supervising and managing anti-bribery and anti-corruption efforts is established consisting of the board of directors, the board of supervisors, and the management. It closely cooperates with public departments to ensure the appropriate and full implementation of the relevant tasks. Meanwhile, a complete procedure system for managing anti-bribery and anti-corruption efforts is created. The Compliance, Risk, and Internal Audit functions work together with the public sector to identify, assess, investigate, and control risks related to bribery and corruption, ensuring that all anti-bribery and anti-corruption policies and requirements are comprehensively implemented. The China Construction Bank Anti-bribery and Anti-corruption Policy Overview[1] has been issued, which summarises the Bank's current system of anti-bribery and anti-corruption policies, and defines the overall principles, specific work requirements and accountable entities. It is applicable to directors, supervisors, senior management members, all employees, and workers dispatched by labour leasing companies.

### Employee Behaviour Management

The Bank pays high attention to employee behaviour management, constantly perfects the relevant policy system, regularly reviews and revises the *Employee Compliance Handbook* and *Measures for Handling Employee Violations* and follows up on the implementation of the systems. Meanwhile, conducts investigation of abnormal behaviours, develops and applies employee behaviour management models, and regularly identifies and proactively handles employee violations such as favouritism and corruption, so as to effectively prevent case risks. Furthermore, smooth channels have been created to report clues. Both onsite and offsite inspections are carried out, with prompt measures to conduct investigations and verifications, including conducting internal accountability or transfer to judicial authorities in line with internal policies and provisions.

### Whistleblowing and Whistleblower Protection

The Bank comprehensively follows the management requirement of strict governance. To this end, it introduced policies, such as implementing petition letter whistleblowing, encouraging real-name whistleblowing, clarifying false whistleblowing, and rewarding the whistleblowing of violations of laws and regulations. It constantly kept online and offline reporting channels smooth, such as petition letters, emails, phone calls, and field visits, approved real-time and anonymous whistleblowing, and improved professional ethics and integrity across the Bank. Moreover, it practically ensured whistleblower rights protection and issued the *China Construction Bank Whistleblowing Policy Overview*[2], which is applicable to whistleblowers (including all employees, customers, and suppliers) who have obtained

1 Please refer to: http://www.ccb.com/eng/esg/rules/index.shtml
2 Please refer to: http://www.ccb.com/eng/esg/rules/index.shtml

information on violations in work-related scenarios. Additionally, whistleblowing information is kept confidential strictly. The collection, storage, use, processing, transmission, provision, and deletion of whistleblowing information follow the principles of legality, propriety, necessity, and good faith. The Bank strictly controls the scope of knowledge, prevents the storage of such information or the disclosure of it to the outside without permission, and strictly handles such behaviour as preventing others from whistleblowing, leaking whistleblowing information, taking revenge on whistleblowers, and intervening in whistleblowing processing.

### Training in Business Ethical Standards

The Bank exerts constant efforts to promote the building of the training system of business ethical standards, encourages all employees to practise good business ethical standards, and evaluates the focus of the board of directors, key positions, new employees and other groups involved in the field of business ethics. Meanwhile, special training courses are set up in a targeted manner, and business ethics training and compliance warning education covering all employees (including contract employees) are continuously carried out, and establishes diverse training channels, including centralised promotion, collective learning, and online learning and testing. The themes cover anti-corruption, anti-money laundering, anti-fraud, personal information protection, sanctions risk, measures for handling rule violations, and compliance risk.

| **Personnel category** | **Training content** |
|---|---|
| Members of the board of directors | In 2023, The Bank provided all members of the board of directors with compliance training on the secrecy act and anti-money laundering law, and legal and regulatory trainings on anti-corruption, and closely monitored changes in regulatory policies. The Board pays close attention to specialised training organised by domestic and international regulatory institutions. Some non-executive and independent directors actively participated in the relevant training of the Ministry of Finance, the China Securities Regulatory Commission (CSRC), and the Shanghai Stock Exchange (SSE). Such training covered strategic management of listed companies, information disclosure, and the key points of duty performance by directors, supervisors, and senior management members. With such efforts, the duty performance and reasonable decision-making were continuously strengthened. |
| All employees (including workers dispatched by labour leasing companies) | In 2023, The Bank conducted a series of activities designated for the publicity and education of the *Employee Codes of Conduct* as well as anti-corruption warning education to all employees. More opportunities were available for employees to access compliance education through multiple means, such as centralised promotion, collective learning, independent learning, and online courses. The Bank organised online quizzes, knowledge competitions, and other interactive learning activities to increase the frequency of employee compliance education and reinforce the effectiveness of the learning process. Additionally, the employee behaviour management system pushed content on compliance education through video and audio posts, articles, and messages. The system was used to release content on compliance education to 2.39 million people cumulatively. |
| Compliance personnel | The Bank held 16 training sessions in 2023 for compliance personnel, covering employee behaviour management, the building of analysis models, and big data analysis, to enhance the cultivation of compliance professionals. |
| Key positions | In 2023, the Bank focused on key positions, such as heads of grassroots institutions, account managers, and tellers, warning education activities on compliance and anti-corruption were organised in a normalised manner in 2023 through methods such as compiling case sets, sharing online quizzes, and posting and watching warning education videos, so as to enhance the compliance awareness of key position personnel. |
| New employees | In 2023, the Bank incorporated the *Employee Codes of Conduct* and the employee behaviour norms into new employee onboarding training. A combination of online and offline methods, including specialised training, online testing, and creating compliance short videos, was used to strengthen the promotion, education, and training of business ethics behaviour standards among new employees. |

### Audit of Business Ethical Standards

The Bank has built a system of business ethical standards covering all operating organisations and all employees, reviewed and revised the business ethical standards such as the *Measures for Handling Employee Violations, Management Measures for Employee Behaviour*, and the *Employee Codes of Conduct*. The review and revision content included the business ethics management, application scenarios, and the examination process. The Bank conducts an annual audit to assess the effectiveness of the implementation of the business ethical standards for the first and second lines of defense, and regularly reviews the status of revisions, updating, and implementation of the systems related to business ethics.

The Bank conducts online intelligent early warning of abnormal behaviour of employees, based on data analysis across the Bank, and regularly carries out business ethics-related audit across the Group. Meanwhile, it performs a comprehensive risk assessment over all institutions annually in the risk-oriented principle and in line with regulatory requirements and the actual business operations. The key audit points and institution coverage of business ethics are determined dynamically. The Bank ensures that the audit of ethical standards covers all operations every year through onsite and offsite approaches.

The Bank conducts dynamic audits on key operational risks for all of 37 domestic tier-one branches, focusing on business ethics-related areas, such as case prevention and control management, employee behaviour management, and significant violations. Anti-money laundering audits were conducted for 13 domestic tier-one branches, with emphasis on customer identification, transaction reporting, money-laundering risk assessment, sanction compliance management, and issue remediation. Meanwhile, the Bank covered anti-money laundering-related matters of other tier-two institutions of domestic branches through the audit of the main business operation and management of tier-two institutions. The implementation of requirements of overseas regulatory authorities and industry regulatory authorities were monitored. The money laundering risk and sanctions compliance of 15 overseas institutions and six subsidiaries were covered through the audit of the main business operation and management or special audits. The Bank further improved the audit supervision of business ethics and compliance.

## ENVIRONMENTAL AND CLIMATE CHANGES

### Green Finance

The Bank continues to drive the comprehensive and coordinated development of green finance and enhance the capabilities to serve green transformantion. Based on advantages in FinTech and full financial licenses, the Bank comprehensively utilises financial instruments, such as green credit, green bonds, green leasing, green funds, green trust, green insurance, and green wealth management, to vigorously support and develop green industries and promote industrial upgrade and ecological and environmental improvement. In 2023, the Bank continued to serve as a standing member of the China Green Bond Standard Committee during its second term, contributing to the continuous development of the framework and standard setting for the green bond market. It formally signed the United Nations *Principles for Responsible Banking*, becoming a member of the United Nations Environment Programme Finance Initiative (UNEP FI), and, in line with its vision of "striving to become a world-leading sustainable development bank", intensified its support for green, circular, and low-carbon economies, contributing financial strength to the construction of an ecological civilisation where humans and nature live in harmony. As for green bonds, the Bank took an initiative part in fostering innovation in the corporate green capital market and promoted the integration of sci-tech innovation, rural revitalisation, and the green capital market. It underwrote the interbank market's first tranche of "Sci-Tech + Green" REITs and introduced the nation's first tranche of "Green + UOP Sci-Tech" perpetual medium-term note. In addition, it completed interbank market's first "Green + Rural Revitalisation + Sustainability Linked" bond, which was the first application of Sustainable Performance Targets (SPT) in bond structure design, guiding issuers to actively implement "Carbon Neutrality" and "Carbon Peaking" goals. Please refer to "The New Finance initiatives--green finance" for details.

### ESG Risk Management System

The Bank places great importance on ESG risk management in investment and financing business. It incorporates ESG risks into comprehensive risk management system, continuously perfects the relevant policy development, specifies the organisation and management structure, and establishes a risk management and control system covering the entire process of investment and financing businesses.

With respect to regulatory policies, the Bank complies with such policies and regulations as the *Guidelines for Comprehensive Risk Management of Banking Financial Institutions* and the *Guidelines on Green Finance for the Banking and Insurance Industries*. The Bank formulated the *Measures on Environmental, Social and Governance Risk Management for Investment* and *Financing Businesses* (hereinafter referred to as the "ESG Risk Management Measures"), included corporate credit business, retail credit business, financial market business, financial institutional business, investment banking business, and other investment and financing businesses in the Group.

With regard to management structure, the board of directors is ultimately responsible for ESG risk management. The board of supervisors supervises and assesses the performance of duties related to ESG by the board of directors and the management. The management supervises and instructs ESG risk management in investment and financing business and promotes the implementation of specific ESG management. Additionally, the Bank has established the ESG Promotion Committee, the Green Finance Committee, and the Risk Management and Internal Control Management Committee, and they hold meetings regularly to follow up on work progress and arrange important matters.

## ESG Due Diligence

The Bank attaches great importance to the impact of ESG risk factors on credit risk, actively implements ESG due diligence, and deeply analyses the influence of business activities on the environment. *ESG Risk Management Measures* of the Bank clearly stipulates that for investment and financing businesses, such as corporate credit business, retail credit business, financial market business, financial institutional business, and investment banking business, etc., branches shall comprehensively, deeply and carefully investigate the ESG risk of customers when accepting business and conducting due diligence.

### ESG due diligence process

Climate and ESG risk factors were required to be incorporated into the whole-process management of due diligence, credit approval, post-investment tracking, and NPA disposal of investment and financing business, such as credit business, bond underwriting business, and investment banking business, covering key processes, such as pre-loan, in-loan, and post-loan management.

In the ESG due diligence, the Bank's business handling institutions fully consider factors such as the customer's industry, region, operation and management capabilities, project construction management capabilities, environmental impact, social impact, and focus on upstream and downstream enterprises and contractors. The Bank adopts a variety of methods to judge the possible impact of specific factors on asset safety and to assess ESG-related risk in the investment and financing business process. In response to the identified ESG-related risks, the Bank would promote the implementation of risk management measures and contingency plans according to the nature and severity of the risks. Credit approval departments and investment departments would implement reasonable and differentiated credit approval and investment strategies. The Bank shall strictly restrict credit granted to or investment in customers who have serious violations of laws and regulations or major risks in environmental, social, and governance aspects.

Additionally, the Bank's ESG rating tool for corporate clients is constantly improving. For example, the modules of comparative analysis of customer ESG performance and comparison of ESG risk characteristics in key business have been added. Currently, 1.01 million customers meeting assessment conditions are automatically rated in ESG. It earnestly explored the application of ESG factors in credit rating, completed the incorporation of ESG factors in the customer credit rating system throughout the Bank, and promoted the application of ESG factors in customer access, formulation of credit policies, credit approval, credit asset risk classification, and performance assessment.

### Triggers and risk escalation process

The Bank required embedding the due diligence investigation of ESG-related issues and risk factors as a routine review mechanism into the management processes of investment and financing business or projects.

### Triggers

Factors triggering risk escalation in the ESG due diligence process include negative public sentiment incidents, industry/business attributes that have a significant impact on the environment, systemic risks in the governance structure, and significant changes in ESG risk performance.

### Risk escalation management

For sectors with high environmental, social, and climate risks, such as iron and steel, cement, coal mining, and coking, the Bank implements a risk escalation management process by centralising the approval for loans for new capacity expansion projects at the Head Office. The Bank prioritise projects that meet green credit standards and have urgent credit needs with the "green channel," implementing differentiated processes to enhance the efficiency of business handling. Furthermore, for enterprises that fail to comply with national policies and regulatory requirements, violate laws and do not complete the remediation, hold environmental credit evaluations indicating warnings or a poor environmental protection record, are involved in environmental and climate-related lawsuits with the potential of significant adverse impacts, or are mandated by the government to shut down, as well as for other customers and projects with significant environmental and climate risks, the Bank implements a "one-vote veto" on environmental and climate risks and does not grant credit access. Prior to the completion of remediation by existing customers, the credit balance or loan balance is not allowed to be increased (unless it is for the credit business intended for risk mitigation). Projects of customers that pose significant problems, have negative impacts, repeat offenses, or cannot be remedied will be reduced and exited.

### Green Operations

The Bank actively improves and enhances green operations and management, adopts diverse measures for energy conservation and emission reduction, and promotes green and low-carbon practices. Green office is encouraged to raise employees' awareness of environmental protection. Moreover, green procurement and digital procurement are promoted to raise the quality and efficiency of procurement management. Additionally, it strives to develop green outlets featuring green and low-carbon practices, environmental protection and energy conservation, and intelligent operations, and improves service quality. The construction of green data centres is vigorously promoted to contribute to high-quality and sustainable development. For details, please refer to the Bank's "Social Responsibility Disclosure" chapter in the *2023 Corporate Social Responsibility Report*.

## ACCESS TO FINANCE

The Bank adheres to the unification of economic and social benefits. While expanding the coverage and accessibility of financial services, the Bank facilitates social fairness and justice and provides better financial services to more people through finance. As at the end of 2023, the Bank's inclusive finance loan balance reached RMB3.04 trillion, agriculture-related loan balance reached RMB3.82 trillion, and corporate housing rental loan balance reached RMB325.45 billion, amounted to RMB7.19 trillion, fully and effectively accessing the financially underserved demographics.

### Inclusive Finance Services

Focusing on inclusive customer groups, the Bank increases financial support for inclusive customer groups such as small and micro businesses and individual business owners and self-employed individuals and promotes the integration of efficient and fast online support with warm and quality offline services. The "CCB Huidongni" provides customers with online and mobile services around the clock, and more than 80% of inclusive financial credit services are handled through the "CCB Huidongni" platform, which has significantly increased the convenience of services. The Bank upgraded the 4.0 version of the "CCB Huidongni" app, and relied on it to hold many activities such as the "Benefiting Hundreds of Industries and Tens of Thousands of Enterprises", "Back-to-work Season", the 315 legal class, "Enterprise-Benefiting Salons", the merchants' business festival, and loan for small and micro businesses, etc., to continually enrich the system of inclusive financial products, accurately benefit the key areas, and enhance the quality, efficiency and coverage of the inclusive financial services.

In 2023, the Bank invested in inclusive financial loans in Xizang, Qinghai, Ningxia, Gansu, Xinjiang and other financial service-poor regions, with a loan balance of RMB59.856 billion and 122,400 loan customers, continuing to expand the depth and breadth of inclusive financial services, and helping small and micro businesses in financial service-poor regions to get out of the financing predicament. The Bank has also made efforts to enhance the accessibility of financial services, with the number of credit-granting customers exceeding 6 million, and has vigorously expanded credit loan and first-time loan services. In 2023, the Bank served 170,200 first-time loan customers of small and micro businesses. For more details, please refer to section "New Financial Actions for Inclusive Finance".

### Housing Financial Services

In response to the social pain points and the people's "difficulty in housing", the Bank exerts constant efforts to drive the housing rental strategy, expands the means and coverage of housing financial services, and supports the increase of the supply of government-subsidised rental housing and market-oriented long-term rental housing. Meanwhile, it makes full use of financial means to meet the needs of different customer groups, especially the housing needs of underserved groups, promotes housing rental services to the public, and provides financial solutions to help people "have a home to live in". Please refer to "The New Finance initiatives--housing rental" for details.

### Offline Service Channels

The regions and channels of financial services are expanded, and more outlets are constructed in new urban areas and counties. Twenty-one outlets were established in counties in 2023, accounting for 75% of the total number of new outlets. Characteristic outlets, such as those providing inclusive, housing, and automobile financial services, were constantly promoted. More than 14,000 outlets can offer inclusive financial services, and the Bank has nearly 20,000 inclusive financial customer managers. 13,845 "Workers' Harbours" were open to the public, which has cumulatively served more than 278 million people. More than 284,700 events benefiting the public were organised, such as "Harbour Lecture", "Voluntary Service Month", "Support for Entrance Examinations of Senior High Schools and Colleges", and "Cool Services in Summer". In 2023, 67 outlets of the Bank won the title "Most Beautiful Trade Union Outdoor Worker Service Station" by the All-China Federation of Trade Unions, making the Bank the first in the national financial system for another year. Please refer to "Outlets and electronic channels--physical channels" for details.

The Bank keeps optimising the elderly-friendly and barrier-free services at outlets. Facilities for the elderly and the disabled, such as mobile form-filling tables, barrier-free handrails, crutch holders, and sitting smart teller machines, are being perfected. Considerate financial and non-financial services are provided to elderly and disabled customers. As at the end of 2023, 217 outlets of the Bank were certified by the group standard certification of the *Requirements for Elderly-friendly Services of Bank Outlets*. The Bank ranked first among peers in this indicator. The Bank's *Special Guideline of Barrier-free Construction for Outlets* and Barrier-free Environment Development and Enhancement Project (Fengtai Sub-branch in Beijing and Nanhui Sub-branch in Shanghai) were rated as "Excellent Typical Cases of Barrier-free Environment Development in 2023" by the Technology and Industrialisation Development Centre of the Ministry of Housing and Urban-Rural Development and the Barrier-free Environment Development Promotion Office of the China Disabled Persons' Federation.

## Mobile Online Channels

In line with the characteristics of the underserved regions and demographics of financial services, the Bank keeps innovating mobile and online channels of business services, enhances the availability and convenience of online financial platforms, assists in expanding the coverage of financial products and services, and effectively implement the mass financial connotation of the new financial initiative.

### E-financial services

The Bank is attentive to groups with special needs, such as the elderly, the disabled, those who speak Tibetan, and foreigners in China. Specifically, it proposes new functions of mobile banking, and expands the coverage of E-financial services.

To better serve elderly customers, the Bank undertakes an elderly-friendly renovation. Innovate and optimise the large-character version of mobile banking, providing more than 36 million elderly customers with more intimate account inquiry, transfer, living expenses, credit card repayment, phone bill recharge and other common financial services, as well as electronic social security cards, provident fund, medical insurance cards and other common non-financial services. Moreover, fast and direct services are provided to the elderly, such as one-touch operation, which allows senior customers to check their assets and transaction data, consult customer services, and access intelligent speech services by touching one button. They can have their needs satisfied by orally expressing them rather than going through many steps on the mobile.

Barrier-free functions are optimised for visually impaired customers. The Bank endeavours to strengthen the sense of happiness of the disabled through financial services, by improving the whole procedures of common functional modules of mobile banking and optimising interface elements. The Bank's mobile banking can accurately identify the customer groups who need screen readers. Personalised procedures are optimised. Such customers can smoothly access common services, such as account inquiries, transfers, and remittances, by touching the screen and following the voice guide, after opening mobile banking via screen reader software. With such measures, online service barriers are effectively removed for visually impaired customers.

More financial demands of customers speaking Tibetan are satisfied. A Tibetan version of mobile banking has been developed by the Bank and launched in Xizang, Sichuan, and Qinghai. Tibetan customers now can access considerate financial services, as electronic channels have been expanded and language barriers have been removed. High-frequency financial demands, such as account inquiries, transfers, credit card repayment, and SMS reminder services are available to them. The Tibetan version has been recognised and supported by local ethnic and religious committees and regulatory authorities and highly recognised by Tibetan customers.

Financial services for foreigners in China have become more convenient. One major pain point in financial services for foreigners in China is the difficulty in finding convenient electronic banking services. Therefore, the Bank has optimised the procedures of mobile banking business. It allows foreigners in China to use electronic banking business, such as mobile banking and personal online banking, by signing a contract with a domestic outlet offline or opening such services via online registration, based on the relevant identity documents, bank cards opened in the Chinese mainland, or a mobile number assigned by telecommunication operators in Chinese mainland, Hong Kong, or Macao. Additionally, an English version of mobile banking is available. Selected financial functions are provided to ensure that foreigners in China can smoothly access online financial services.

## ACCESS TO FINANCE

### "CCB Smart Campus Application": A one-stop platform of comprehensive intelligent campus services

"CCB Smart Campus Application", a multichannel one-stop platform of comprehensive intelligent campus services is established in response to China's goal of "developing a high-quality education system". It covers such mobile channels as Apps, WeChat and Alipay applets, and offers online services to teachers, students, and parents in campus scenarios, such as enrolment, payment, learning, and life. As a result, financial and non-financial services for teachers and students have been reinforced. The Bank strives to improve education IT standards in regions with poor resources. Specifically, it cooperates with Xizang University to take the lead among peers in providing an innovative electronic wallet service to conduct agency payment of living subsidies in batches to teachers and staff and build the corresponding consumption scenarios on campus. Thanks to the "CCB Smart Campus Application" platform, a closed loop of financial services for campus consumption has been created for teachers sent to support Xizang. Their consumption in everyday life and access to basic financial services have become convenient. As at the end of 2023, the platform was made available to a total of 924 colleges and universities and 45,000 K12 schools, providing comprehensive financial services on campus to more than 16 million teachers, students, and parents.

### "CCB Smart Healthcare Application": A one-stop platform of comprehensive health management services

The Bank empowers the goal of "Healthy China" through financial services. One typical example is "CCB Smart Healthcare Application". It is a one-stop platform of comprehensive health management services that is multichannel, multifunctional, and full-scenario. It is designated to strengthen information-based medical treatment in regions short of financial services and medical resources. The Tibetan Hospital of Qinghai Province has been transformed into an "Internet Tibetan Hospital", the first of its kind in the world. A cloud platform has been created for the Internet hospital to help herdsmen in Xizang receive medical services at home, such as online diagnosis, prescription, and payment, as well as home delivery of medicines. As a result, the herdsmen can access financial services and medical resources more conveniently. The CCB Cloud platform-based hospital information system (HIS) is provided to level-II hospitals and township health centres in regions with poor medical education IT standards, such as Guizhou and Gansu provinces, to significantly improve their management efficiency. Meanwhile, a "regional testing platform" was created for Ziyang County, Ankang City, Shaanxi Province. Local villagers can have their samples taken at a township health centre. Then, the samples are collected and delivered to the county hospital for inspection. Results can be checked by mobile. In this way, the Bank has effectively promoted tiered medical treatment as well as medical and financial resources to grassroots medical institutions.

### The "Elderly Care Platform": An innovative platform of pension fund supervision services

The "Elderly Care Platform" of the Bank aims to create scenarios of prepaid funds supervision services. Closed-loop management of the prepaid funds collected by nursing institutions, covering fee collection, use, check-out, and refund of institutions offering elder care services, is achieved in accordance with the management measures and implementation rules issued by local civil administration departments regarding the prepaid funds collected by nursing institutions. Furthermore, early warnings are sent in response to exceptions. Standardised business procedures, such as agreement signing, check-in and check-out, bill management, termination and cancellation, are set up to fully protect the fund security and legal rights and interests of the elderly, effectively assist civil administration departments in strengthening the supervision and management of the prepaid funds collected by the nursing institutions, and help the institutions to build social credibility. As at the end of 2023, the Bank applied the scenarios of prepaid funds supervision in 236 nursing institutions in six provinces and cities, including Beijing, Shandong, Henan, Hunan, Chongqing, and Guizhou. The "Elderly Care Platform" was applied in 198 prefecture-level cities and 852 districts and counties in 30 provinces, serving 32,000 nursing institutions and service providers. The App had 720 thousand real-identity elderly registration.

### Rural online service

The "Smart Village Affairs" comprehensive service platform is designated to serve as a reliable tool for areas that are remote and short of government services to convey information from Party branch committees and village committees, send village notices, disclose collective rural funds, assets, and resources, and support rural Party building, based on the common concerns of villagers. The Bank is the first among peers that has launched the products of "Credit Scorecards for Rural Collective Economic Organisations" and "Collective Credit Loans". It pioneered the certification system for financial service applicants of rural collective economic organisations, enabling them to apply for online credit and other financial services on behalf of their rural collectives. As a result, financing problems of rural collective economic organisations have been addressed for the first time. Rural collective economic organisations can conveniently access online financial services, such as management of collective rural funds, assets, and resources, and preferential financing, through the "Credit Scorecards" and the "Collective Credit Loans". Credit loans can be used to purchase means of production and for daily production and operations. By resolving the previous difficulties in application, development, and financing, The Bank has strongly promoted rural collective economic development and the common prosperity of farmers. As at the end of 2023, the Credit Scorecards cumulatively served 24,000 rural customers. The "Collective Credit Loans" cumulatively served more than 400 rural collective economic organisations. The credit balance was RMB600 million.

## SERVICE FOR DEVELOPMENT OF "AGRICULTURE, RURAL AREAS AND FARMERS"

### Precision Assistance Work

The Bank steadfastly implements the decisions and arrangements of the Party Central Committee on rural revitalisation, strengthening financial assistance and credit support for poverty-stricken areas and key counties in the national rural revitalisation initiative. Focusing on key areas such as ensuring food security, rural industries and rural construction, the Bank continues to effectively allocate credit. By the end of 2023, the balance of the Bank's loans in poverty-stricken areas amounted to RMB1,077,693 million, an increase of RMB214,937 million from the beginning of the year, with a growth rate of 24.91%. The balance of loans in key counties for national rural revitalisation amounted to RMB134,640 million, an increase of RMB25,647 million from the beginning of the year, with a growth rate of 23.53%, higher than the average growth rate of all loans in the Bank. The Bank earnestly shoulders the designated responsibilities in providing assistance in poverty alleviation. In the designated assistance areas of Hanbin District, Hanyin County, Ziyang County, and Langao County of Ankang City in Shaanxi Province (hereinafter referred to as the "One District and Three Counties"), the Bank has adopted comprehensive assistance measures under the "Five Revitalisation" strategy, successfully fulfilling the designated assistance objectives, and helping to consolidate and expand the achievements in poverty alleviation and promote comprehensive rural revitalisation.

#### Assistance measures

Industrial revitalisation. The Bank supported the development of the Smart Supply Chain Centre to establish a virtuous cycle of production and sales for agricultural products. Additionally, the Bank backed projects such as the construction of rural homestays and cooperated to create a smart tourism service platform. The Bank facilitated the smooth implementation of the Agricultural Photovoltaic Power Generation project, enabling the diversified use of land for both electricity generation and agricultural cultivation. Furthermore, the Bank established seasonal themed tourism complexes, adjusting the rural industrial structure, and nurturing characteristic leading industries through the "one village, one product" planting and breeding model.

Talent revitalisation. The Bank established the "Kunyu Ankang" training system, focusing on grassroots cadres, leading figures in poverty alleviation, and professional talents, with an annual investment of RMB15 million. The Bank curated high-quality training courses for cadres, built a talent training platform for rural revitalisation, and adhered to the practice of bringing education to the countryside, effectively conducting hierarchical and classified training covering municipalities, counties, towns, and villages.

Cultural revitalisation. The Bank organised popular sports and cultural activities such as basketball tournaments, mountain biking races, and dragon boat races. We supported the construction of the Red Beautiful Village at the Niuling Battle Site in Hanbin District, promoting the integrated development of "education programmes promoting revolutionary traditions + agricultural research tours". Additionally, the Bank improved cultural infrastructure at the village and community levels, including smart party building centres, rural revitalisation complexes, and cultural screens in community squares.

Ecological revitalisation. The Bank supported the development of comprehensive resort industry belts and promoted projects like the Beautiful Countryside Initiative. The Bank assisted in the construction of rural infrastructure, including the construction of 65 convenient river-crossing bridges, enhancement of flood and landslide prevention infrastructure, support for rural toilet and garbage collection facility renovations, investment in town and village street lighting equipment, and implementation of projects for the renovation of domestic water facilities and drinking water safety monitoring.

Organisational revitalisation. The Bank collaborated with Ankang University to explore the practices for promoting rural modernisation under the theme of "Harmonious Coexistence between People and Mountains". The Bank organised Head Office departments, branches, and subsidiaries to make collaborative efforts with the Party branches of designated assistance villages in the "One District and Three Counties" region. Building on the exemplary role of the first secretaries stationed in villages, The Bank organised learning activities and gained a better understanding of local conditions and public opinion by integrating the "321" primary-level governance model into grid-based rural management.

#### Assistance results

In 2023, The Bank directly invested RMB90.17 million in gratuitous assistance in the "One District and Three Counties" region, while introducing RMB24.7 million in gratuitous assistance. Additionally, the Bank directly injected RMB1,442 million in compensated assistance and introduced RMB74.45 million in compensated assistance. Leveraging resources across the Bank, the Bank successfully landed investment projects totalling RMB659 million. Furthermore, the Bank provided training for 21,700 grassroots cadres, 17,300 leaders in poverty alleviation, and 23,500 professionals. The Bank also purchased agricultural products worth RMB47.05 million from poverty-stricken areas and facilitated the sale of agricultural products from these areas, amounting to RMB633 million, thereby fulfilling the targeted assistance objectives.

## SERVICE FOR DEVELOPMENT OF "AGRICULTURE, RURAL AREAS AND FARMERS"

The Bank consistently conducted consumer assistance activities. Collaborating with the "Shanrong Commerce" e-commerce platform, the Bank organised themed events such as "Exploring the Taste of Ankang", stimulating the sale of agricultural products from the "One District and Three Counties" region to the tune of RMB183 million. The Bank also actively engaged in educational and medical assistance, improving teaching conditions by establishing four moral education demonstration bases and eight homes for left-behind children. Partnering with the China Guanghua Foundation under the Central Committee of the Communist Youth League, the Bank initiated the Book Donation Project, donating books worth RMB4 million to county libraries and primary and secondary schools in towns and villages. Furthermore, the Bank organised the "Heart-to-Heart Public Welfare" lecture series, inviting renowned domestic scholars to deliver courses, benefiting over 60,000 students. The Bank continued the "Cloud-based Production" assistance projects, optimising the points redemption mechanism to further support vulnerable groups such as left-behind women and the disabled, helping over 2,000 impoverished individuals increase their income. Additionally, the Bank promoted urban and rural digitalisation by enhancing the "Ankang Smart Governance" platform, enabling online and mobile government services. This led to an improved user experience, with the number of registered users with real names reaching 1.43 million, covering over half of the residential population.

### Agriculture-related Financial Channels

The Bank actively explores innovations and applications in financial service channels, further enhancing the construction of multiple channels based on the physical outlets and internet financial service channel. In response to the needs and pain points of areas and populations lacking financial services, the Bank diversified financial products and services. Through technology and sharing mechanisms, the Bank intensified the construction of comprehensive rural revitalisation service platforms, providing basic financial services, livelihood payments, social security, medical insurance, primary-level governance, and other non-financial services to rural customers, effectively improving the accessibility of financial services in underserved areas.

#### "Yunongtong" online service channel

The Bank develops the "Yunongtong" APP and the "CCB Yunongtong" WeChat ecosystem, leveraging financial technology to explore the low-tier markets, extensively connect rural social resources and provide financial services, smart village affairs, convenience services, and e-commerce services to rural customers, effectively bridging the "last mile" of financial services in rural areas.

The Bank builds the "Yunongtong" APP as the main portal for agriculture-related loans, featuring a product shelf dominated by agricultural production and operation loans such as "Yunong Quick Loan", covering various agricultural entities such as farmers, collectives, and agricultural enterprises, and providing services for multiple scenarios such as production, consumption, and operation. The Bank expanded livelihood services by providing services such as social security payments to rural areas. Each branch, in line with local government affairs, farmer credit needs, and rural industrial development requirements, launched regional functions with local characteristics. The Bank builds "CCB Yunongtong" as the main online front for agriculture-related publicity, and further expand the service ecology.

As of the end of 2023, the "Yunongtong" app had nearly 14 million registered users, with total agriculture-related loans issued approaching RMB100 billion. Additionally, 23 branches of the Bank have launched social security payment services for agricultural customers, with 13 branches located in areas with poor financial services, such as central and western provinces. Throughout the year, these branches introduced a total of 39 special features to meet the diverse and localised financial service needs of remote areas. The "CCB Yunongtong" has more than 7.7 million WeChat ecological users.

#### "Yunongtong" offline service sites

The Bank cooperates with high-quality partners such as village committees, supply and marketing cooperatives, and health clinics to build "Yunongtong" service sites. It provides basic financial services for rural customers, convenient services such as social security, medical insurance, and people's livelihood payment, primary-level governance services such as government affairs and village affairs, and public welfare services such as anti-gambling, anti-fraud, anti-money laundering, anti-counterfeit currency publicity, and financial literacy popularisation. As of the end of December 2023, the Bank had established nearly 350,000 "Yunongtong" service sites nationwide, covering most townships and administrative villages across the country. These service sites served over 62 million rural customers, with an additional over 10 million served during the year, and processed over 300 million transactions for rural customers.

### Yunong industry platform

The Bank develops the "Yunong Industry" platform by coordinating efforts between Head Office and branches, providing comprehensive financial services to meet the production, operation, digital management, and digital supervision needs of livestock and farming enterprises, as well as industry association customers along the agricultural industry chain. In rural areas where financial services are scarce, the Bank has established the "Yunong Industry" platform such as the Gansu "Blue Sky Potato Platform" and "Kangyuan Agricultural Products Industrial Chain Platform", the Guizhou "Hongliang Purchase Platform", the Xinjiang "Kuerle Fragrant Pear Platform", the Sichuan "Jiajiang Tea Platform", and the Shaanxi "Annuo Dairy Platform", to provide digital services such as agricultural procurement, warehousing, order management, and sales for core enterprises in the local agricultural industry chain, to provide digital services such as agricultural resource procurement, agricultural technology consultation, agricultural product sales, and land transfer for farmers, and to provide digital windows such as market supervision and policy transmission for local governments, helping local characteristic agricultural industries to become online, intelligent, visual and inclusive. By the end of 2023, the platform had attracted 29 core enterprises, 471 chain enterprises, registered 29,700 farmers, with a transaction amount of RMB1,059 million.

### Yunong market platform

The Bank focused on national agricultural wholesale markets and other customer groups, building the "Yunong market" brand to provide comprehensive financial services such as credit and settlement to market managers, affiliated merchants, and upstream and downstream operators. This effort aimed to help the National Top 100 markets, designated markets by the Ministry of Agriculture and Rural Affairs, specialised markets for characteristic agricultural products, and specialised markets for rural counties to upgrade their portfolios, and solve the financing difficulties and expensive problems for market managers and merchants. The "Yunong Market Comprehensive Service Platform" was launched, integrating functions such as market management, stall services, property services, operational management, data analytics, and large-screen displays to facilitate the digital transformation and upgrading of market entities, and operated on 31 markets nationwide. By the end 2023, the total loan balance on the "Yunong Market" platform reached RMB22.6 billion.

### Yunong cooperation platform

The Bank develops and launches the "Yunong Cooperation" comprehensive service platform, leveraging information technology to enhance the operational efficiency of farm cooperatives. It innovated exclusive credit products tailored for farm cooperatives and provided comprehensive services including credit, payment settlement, and assistance in agricultural product sales. This initiative supported farm cooperatives in fully playing their radiating role in connecting and disseminating agricultural resources, thereby exploring unique financial service models for farm cooperatives.

### Yunong custody platform

Focusing on socialised service organisations in agricultural production, the Bank has continued to promote the financial service model of "Yunong Custody", building a comprehensive, technological, and platform-like "CCB Model" of agricultural production custody, covering the whole industrial chain. The Bank launched the "agricultural production trust loans", issuing production and operation loans to qualified agricultural production custody service organisations. The Bank added the function of "Land Custody" to the land transfer platform, providing a powerful tool for business expansion. In addition, the Bank held five activities related to "Agricultural Services for Ten Thousand Families" organised by the Ministry of Agriculture and Rural Affairs, and dedicated itself to building the "Yunong Custody" service brand.

### "Deputy village chiefs in charge of financial affairs" service model

The Bank innovates the "Deputy village chiefs in charge of financial affairs + Yunongtong" bank-government collaborative service model, extending financial services to villages and building transactional scenes in villages, while also providing financial trainings to villages. This model helped address the double problem of farmers' difficulty in getting loans and banks' difficulty in granting loans in rural areas. Since 2020, the Bank has cooperated with the Arong Banner Committee of Inner Mongolia Autonomous Region, jointly implementing the "deputy village chiefs in charge of financial affairs" plan in 148 administrative villages. The Bank set up a Yunongtong service site at the village committee and appoints the "deputy village chief in charge of financial affairs" who was familiar with rural financial business and had strong comprehensive coordination ability as Yunongtong employer, to guide villagers to use services like transfer, top-up, social insurance fee payment, etc. via the "Yunongtong" APP from home, help farmers make an appointment to get the rural revitalisation bank card service and test their loan limits by sharing a QR code and recommend inclusive finance loans to agriculture-related businesses.

### Agriculture-related Cooperation Scenarios

The Bank continues to expand the application scenarios of agriculture-related financial and non-financial services, and actively cooperates with governmental organisations, communication companies, supply and marketing cooperatives, health clinics, agricultural information societies, supermarkets and other high-quality partners to innovatively expand online and offline service channels through platform interconnection, channel co-construction, product co-creation, and brand co-development. On the online front, the Bank developed the "Yunongtong" APP with more functional scenarios, focusing on the actual needs of construction, governance, industrial development and life scenarios of rural areas to provide specialised products and services. On the offline front, the Bank offers the services of "Yunongtong" with the service channels of designated partners in remote areas, so that rural residents can enjoy safe and convenient services without leaving their villages.

- Village committee service sites. Through cooperation with nearly 210,000 village committees, Party branch committees, and other village self-governing organisations, "Yunongtong" was stationed at village service centres, providing rural customers with livelihood payments and smart governance services.

- YiNong Information Society service sites. YiNong Information Society refer to village-level information service sites established by the Ministry of Agriculture and Rural Affairs as part of the Information Access Project. The Bank collaborated with approximately 17,000 YiNong Information Societies to enrich the life information services available to rural customers, and expand access to rural financial services audiences.

- Village health clinic service sites. Through cooperation with nearly 15,000 village health clinics, the Bank provided more comprehensive medical insurance, social security, and financial service support to rural customers.

- Chain supermarket service sites. By partnering with chain supermarkets, "Yunongtong" was deployed in nearly 13,000 supermarkets.

- Supply and marketing cooperative service sites. Through collaboration with supply and marketing cooperatives, "Yunongtong" was stationed in nearly 12,000 cooperative branches.

- Telecommunication operator service sites. By cooperating with telecom giants such as China Telecom, China Mobile, and China Unicom, "Yunongtong" was deployed in over 3,500 telecom service sites. With China Telecom, the Bank opened a dedicated "Tianyi Digital Life Supermarket" section within the "Yunongtong" app and launched the "Yunongtong" app lightweight application on the "Xiaoyi Guanjia" app.

- Cooperation with Technology company. Partnering with Golden Security Insurance Card Technology Co., Ltd., the Bank introduced an "Electronic Social Security Card" service section within the "Yunongtong" app, integrating functions such as electronic social security card issuance, application, and inquiry, to promote the adoption of electronic social security cards.

- Cooperation with government agency. In cooperation with the Department of Agriculture and Rural Affairs of Hebei Province, the Bank established distinctive service models combining "Integrated Service sites + Yunongtong", "Yunong Market", land custody, industry stimulation, and leading enterprise-driven services. Additionally, practical features such as homestead inquiries were launched on the "Yunongtong" app. Collaborating with Hebei Provincial Rural Revitalisation Bureau, the Bank assisted farmers at risk of returning to poverty in declaring and querying poverty status through "Yunongtong". Coordinated with the Anhui Provincial Department of Agriculture and Rural Affairs, the Bank developed the "Yunongtong (Anhui)" Rural Revitalisation Comprehensive Service Platform, which carries sub-systems for contracted land, homesteads, village collectives, rural industries, rural property rights, etc., promoting the supply-side reform of rural financial services.

## CONSUMER RIGHTS PROTECTION

The Bank attaches great importance to the protection of consumer rights and interests, and has formulated the *Consumer Rights Protection Work Plan (2023-2025)*, which clarifies the development vision of "demonstrating social responsibility, improving the management system, and building an industry benchmark for the protection of financial consumer rights and interests", and puts forward medium-term and long-term work goals and plans a blueprint for the development of consumer protection. The Bank incorporates consumer protection requirements into the Bank's development plan and comprehensive risk management during the 14th Five-Year Plan period, regards the special culture of consumer protection as one of the key tasks of corporate culture development during the 14th Five-Year Plan period, integrates consumer protection into the study of the central group of Party committees at all levels, and leaders at all levels take the lead in learning consumer protection, creating a good atmosphere that everyone understands consumer protection and everyone practices consumer protection. The Bank implements the requirements of regulatory policies such as the *Administrative Measures for the Protection of Consumer Rights and Interests of Banking and Insurance Institutions*, formulates special work plans, actively builds a work pattern of "large-scale consumer protection", and builds the "four beams and eight pillars" of the consumer rights protection system. During the study and implementation of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank made a special plan for resolving hot-spot complaints and focusing on the problems reflected in the "three key business areas" and "three key customer channels", and promoted the solution of 15 key problems with pragmatic actions, providing solutions for customers with heart and efforts.

### Product and Service review

At the level of the board of directors and specialised committees, board of directors is responsible for reviewing and determining product innovation and development strategies and corresponding risk management policies and overseeing the execution of relevant strategies and policies. The related party transaction, social responsibility and consumer protection committee of the board of directors overseas and guides product and service consumer protection review related work and pays continuous attention to consumer protection related risks. The risk management committee of the board of directors oversees product and service innovation review related work and pays major attention to risk control in product and service innovation.

At the management level, to prevent possible risks in new products or new services, the product R&D department of the Bank has established strict deliberation procedures and is responsible for risk assessment and review of new products before they appear on the market. Relevant departments such as risk, compliance, consumer protection and law review whether the product meets the market requirements, stipulate that new products which have not passed the review cannot be released on the market, and ensure that the new product fully meets industry regulatory requirements and internal regulations and standards of the Bank.

The Bank continuously improves the digitalisation and intelligence of consumer protection review, and iterates the consumer protection review system. Launched the AI intelligent review function for consumer protection, which generates AI review results through intelligent information identification and processing, assists reviewers in review, and improves the standardisation and professional ability of consumer protection review, and the system functions cover all branches of the Bank. For products and services provided to consumers, the Bank conducted a full life cycle consumer protection review in the design and development, pricing management, agreement formulation, marketing and publicity and other links. In 2023, the Bank completed 219,300 consumer protection reviews.

## Refined Complaint Management

### Complaint management mechanism

The Bank constantly optimises complaint handling procedures. It revised and issued multiple regulations and measures, such as *Consumer Complaint Management Measures, Personal Customer Issue Resolution Management Measures, Emergency Management Measures for Major Consumer Protection Events* and *Plans for Major Consumer Protection Events* and pushed for implementation, forming a multidimensional complaint management system, including complaint management, handling of major complaints, compromise, and diversified solutions. The Bank has set up a horizontal and vertical organisation structure for consumer protection, and clarified the division of responsibilities for consumer protection at all levels. The Bank has assigned specialised personnel at every level and every business line to handle customer complaints and strictly implements the guaranteed satisfactory solution system, requiring personnel provide satisfactory responses to consumers regarding consumer complaints in the most timely, efficient, and straightforward manner within their job responsibilities. For consumer complaints with clear facts and simple disputes, the Bank will make a decision on the handling of the complaint within 15 days from the date of receipt of the complaint and inform the complainant. The Bank continuously improves the "First-in-command Assuming Responsibility" complaint management mechanism for major complaints, and the main persons in charge of institutions at all levels are personally involved in resolving major complaints. The Bank explores to develop an expert consultation mechanism, sets up a consumer protection expert pool and builds a professional and dedicated team of consumer protection experts across the Bank to jointly study and resolve difficult complaints through expert consultation.

### Customer complaint system construction

The Bank continuously improved customer complaint system by promoting the application of complaint labelling systems and classification standards throughout the Bank, which transforms unstructured complaint information into structured data that can be counted and analysed, allowing for precise identification of product and service issues. The Bank established a consumer protection dashboard monitoring system, and created intelligent complaint alert systems as well as big data analysis tools to identify problems accurately and comprehensively, all of which provided decision-makers, managers, and operational users with multidimensional display boards, enabling problems to be monitored and traced accurately.

### Professional complaint handling channels and procedures

The Bank continued to ensure smooth complaint acceptance channels and established a Remote Intelligent Banking Centre staffed with dedicated complaint handling personnel. Various channels were utilised, including the 95533 customer service hotline, "CCB Customer Service" WeChat official account, mobile banking live chat, and online banking live chat. Leveraging a variety of media, including audio, text, and video, the Bank provides customers with enterprise-level, integrated, intelligent, multi-functional, multilingual, and 24/7 services in a "human + AI" manner, to respond to customer requests in a timely manner. The "Customer Complaint Channels and Handling Procedures" were publicised on various online and offline channels. The CCB Lifestyle app launched a customer service centre containing guides to frequently asked questions, service robots, online human customer service, phone customer service, complaint guidelines, and contact information of third-party service providers, providing customers with clear, convenient, and smooth complaint channels and services. Detailed complaint channel information was included in customer agreements such as the *Bank-Futures Direct connection Business Agreement*.

### Complaint supervision and review

The Bank has established a comprehensive mechanism for supervising and reviewing consumer complaints. The related party transaction, social responsibility and consumer protection committee of the board of directors was responsible for overseeing complaint management of the Bank, reviewing quarterly reports on consumer complaints, and providing guidance on related work. Members of the senior management reviewed complaints and public opinion reports monthly, promoted complaint management, and continuously monitored the implementation of measures.

The Bank has established a special supervisory and verification mechanism for complaint handling, specifically a complaint supervision hotline at the Head Office. Customers who are dissatisfied with the results of the handling of their calls to the customer service hotline can express their dissatisfaction to the Head Office's complaint supervision hotline, and specialised personnel will follow up on it; customers who are dissatisfied with the results of the handling of their calls by the complaint handling agency can apply for verification with the higher-level agency. In terms of special verification, the Bank organises relevant departments and branches of the Head Office to carry out special verification and processing of issues that customers have reflected to the Bank but are still unsatisfied with; at the same time as informing customers of the decision on complaint handling, the Bank explains to consumers the remedies available to them, such as application for verification, mediation, arbitration and litigation. In terms of diversified settlement, in cases where it is impossible to reach an agreement with the customer, the Bank makes full use of third-party mediation organisations to promote problem solving and diversify the settlement of customer disputes. In terms of supervision and management, the Bank has included the quality and effectiveness of complaint handling at all levels in the assessment, and regularly conducts special inspections of complaint handling and management at branches to ensure that customers' claims are responded to in a timely manner, handled appropriately, and monitored effectively.

The Bank's audit department conducts annual internal audits on consumer protection, focusing on the management of complaints throughout the Bank, covering the first-tier branches within the territory and the Head Office level, and the results of the audits are reported to the related party transaction, social responsibility and consumer protection committee of the Board.

## Complaint management objectives

The Bank advances the implementation of the *Consumer Protection Work Plan (2023-2025)*, formulating specific objectives for consumer rights protection and complaint management, including achieving 100% coverage of product and service consumer rights protection reviews, reducing the number of personal consumer complaints per million, and improving customer satisfaction. Besides, the Bank has prepared the *Environmental, Social and Governance Work Plan (2023-2025)*, which makes it a key objective of complaint management work to "conclude a complaint work order within 15 days" and requires maintaining the complaint conclusion rate above or equal to 90% between 2023 and 2025.

## Consumer complaint situation

In 2023, the Bank received a total of 135,317 consumer complaints, a decrease of 39.65% from the previous year. The complaint incidence rate (number of complaints per million customers) was 179, and the average number of complaints per outlet was 9.6. The main categories of complaints were related to loans (37,501 cases, accounting for 27.71%), debit cards (32,454 cases, accounting for 23.98%), credit cards (32,122 cases, accounting for 23.74%), etc. The main channels of complaints were back-office channels (54,230 cases, accounting for 40.08%), outlet offices (41,207 cases, accounting for 30.45%), electronic channels (30,773 cases, accounting for 22.74%), etc. The complaints were mainly distributed in West China (28,083 cases, accounting for 20.75%) and Central China (27,977 cases, accounting for 20.68%).

The following table illustrates the distribution of complaint categories received by the Bank in 2023.

| Complaint Categories | Percentage |
|---|---|
| Loans | 27.71% |
| Debit Cards | 23.98% |
| Credit Cards | 23.74% |
| Debt Collection | 4.71% |
| Payment Settlement | 2.25% |

The following table illustrates the distribution of complaint handling channels accepted by the Bank in 2023.

| Complaint Handling Channels | Percentage |
|---|---|
| Backend Channels | 40.08% |
| Outlet Offices | 30.45% |
| Electronic Channels | 22.74% |
| Self-service Terminals | 1.54% |
| Third-party Channels | 1.13% |

The following table illustrates the distribution of complaints received by the Bank in different regions in 2023.

| Channels Regions | Percentage |
|---|---|
| West China | 20.75% |
| Central China | 20.68% |
| Bohai Rim | 18.00% |
| Pearl River Delta | 16.85% |
| Yangtze River Delta | 15.88% |
| Northeast | 7.84% |

## Consumer Protection Education And Training

### Employee financial consumer protection training

The Bank conducts consumer protection training for all employees to improve their awareness and ability of consumer protection. Through making annual training plan and various methods such as Party Committee Central Group Learning, consumer protection special training, embedded training in business lines, daily training in outlets and online training in CCB Learning Centre, consumer rights protection training was comprehensively provided to all personnel related to customers at all levels of the Bank. Each level of branches was required to conduct at least one special training on consumer rights protection within their jurisdiction each year. The frequency of training for business positions with high volumes of financial consumer complaints and higher risks was appropriately increased.

The content of consumer protection training mainly included national laws, regulatory regulations and internal policies related to consumer rights protection, as well as the consumer protection status and management methods. It covered various aspects such as complaint management, consumer protection review, consumer education and publicity, assessment and evaluation of consumer protection, customer information security, norms for marketing and advertising behaviour, suitability management, information disclosure, traceability of sales behaviour, and debt collection. In 2023, branches at all levels conducted more than 13,000 sessions of consumer protection-related training throughout the year, with over 2.3 million participants. To enhance the quality and effectiveness of training, the Bank regards employee consumer protection training as an important part of compliance checks on consumer protection business and assessments of consumer protection work.

### Financial education and publicity

The Bank attaches great importance to consumer financial education and publicity, The Bank actively implemented regulatory requirements, solidly promoted regular financial education, upgraded digital financial education, covered various scenes of consumer life with financial education and publicity, strengthened cooperation with financial education institutions, and built a high-quality systematic financial knowledge base. It conducted distinctive financial education and publicity activities targeted at the general public, especially key groups such as the elderly, teenagers, new citizens, disabled persons, and ethnic minorities. In 2023, the Bank organised a total of 192,000 online and offline activities, reaching 1.57 billion consumers, covering various channels and groups, and received positive social feedback. For details, please refer to the Bank's "ESG Disclosure" chapter in the *2023 Corporate Social Responsibility Report*.

## Fair Marketing Policies

The Bank strictly requires implementation of consumer rights protection requirements in the marketing and promotional activities of products and services. The Bank established a comprehensive supervision mechanism for fair marketing covering the board of directors, the management, and the executive team. It also continuously strengthened the supervision and management of consumer rights protection in cooperation with partner institutions, conduct diverse training programmes, and mandate that all frontline staff must undergo at least one fair marketing-related training session annually. For more details, please refer to the *Personal Customer Marketing Policy Overview*[1] disclosed on the Bank's official website.

## Loan Contract Amendments

The Bank has formulated the *Loan Contracts Modification Policy*[1], which standardised the applicable conditions, essential elements, and notification channels for customers to modify loans. The Consumer Protection Committee of the management is responsible for reviewing the implementation of policies related to loan contract changes and supervising the progress of related work. The Bank takes into full account and evaluates factors such as extreme weather, business conditions, physical health, and job stability that might affect changes in customers' financial status and repayment ability. Customers were allowed to modify loan terms such as loan tenure, instalment amount, repayment method, guarantee and authorised payment account upon mutual agreement. The Bank supports customers with good credit records to apply for escalation in credit lines through offline and online channels after fully assessing customers' assets, risks and other situations.

If loan products involve changes to loan terms, the Bank clearly listed the relevant modified terms in the personal loan contracts, informing customers of their related rights and benefits. The Bank supports customers to apply for modification of loan terms via business outlets, mobile banking, online banking, WeChat applet "CCB Intelligent Personal Loan", etc. and continuously optimises the customer needs response mechanism to enhance service quality and efficiency. Loan contract modification services were included in the Bank's annual consumer protection audits. Audit opinions and management recommendations were issued regarding the progress of related work, and audit results were reported to the related party transaction, social responsibility and consumer protection committee of the board of directors.

[1] Please refer to: http://www.ccb.com/eng/esg/rules/index.shtml

### Debt Collection Management

The Bank attaches great importance to debt collection management. It focused on consumer protection in debt collection, standardised repayment reminders, strengthened intelligent application, improved compliant collection processes, respected customer privacy, and enhanced outsourced collection management. The Bank emphasised training for staff in debt collection capabilities, requiring all collectors to undergo regular training at least once a year. It continuously strengthened the management of external collection agencies, clarified the work requirements and operational norms for outsourced collection, and provided training and inspections for cooperating collection agencies regarding collection scripts and behavioural norms. For more details, please refer to the *Debt Collection Policy Overview*[1] disclosed on the official website of the Bank.

## INFORMATION SECURITY AND PRIVACY PROTECTION

### Privacy and Data Security Governance Framework

#### The board of directors and specialised committees

The board of directors and specialised committees are responsible for approving and monitoring the implementation of information security strategies. The related party transaction, social responsibility and consumer protection committee of the board of directors oversees customer privacy and information protection issues, ensuring strict compliance with laws, regulations, and regulatory requirements within the Bank. The risk management committee of the board of directors supervises information technology and cybersecurity risk control, advocates for the inclusion of information technology risks in the group's risk appetite, and continuously promotes the construction and drills of information system disaster recovery.

#### The management

The management of the Bank sets up the FinTech and digitalisation construction committee headed by the leadership of the Bank, to advance important work such as FinTech, digital operation, IT security, data governance, etc. in a coordinated manner, study and review significant matters related to the protection of individual customer information. The management of the Bank appoints Chief Information Officer (CIO) to co-oversee the operations of Digitalisation Construction Office, data management department, FinTech department and operation data centre, who takes charge of the planning, development, promotion and management of the Bank's IT systems and IT security control measures.

#### Execution

The FinTech department of the Head Office takes the lead in coordinating and overseeing on individual customer information protection. The data management department of the Head Office organises planning and implementation of data security management work, and makes arrangements for emergency handling of data security incidents. The FinTech department, operation data centre, etc. of the Head Office are responsible for implementing data security in IT fields. The Head Office's risk management department and internal control & compliance department conduct data security risk management, internal control evaluation, accountability and punishment, etc. within their scope of duty and the audit department of the Head Office performs IT security and privacy protection related audits.

### Privacy and Data Security Management System

The Bank has formulated and issued the management *Measures for Personal Information Protection (Version 2023)*, clarifying six basic principles of personal customer information protection: "legality and compliance, clear responsibility, notification and consent, minimal necessity, hierarchical authorisation, fairness and reasonableness", as well as the division of institutional responsibilities, requirements for the full lifecycle management of personal customer information protection, emergency management mechanisms, and supervision and management.

The Bank has developed and publicly disclosed the *Key Points of Policies on Personal Information Protection*[2], providing a comprehensive interpretation of the relevant policies and systems for personal information protection within the Bank, establishing a system of personal information protection policies applicable to the entire bank and its subsidiaries, and implementing protective measures.

The Bank has established the basic system of data security management with the *Data Security Management Method* and formulated specialised supporting systems such as the *Implementation Rules for Classified and Hierarchical Data Protection* and the *Data Security Emergency Plan*, covering all business lines and domestic and overseas institutions.

1 Please refer to: http://www.ccb.com/eng/esg/rules/index.shtml
2 Please refer to: http://www.ccb.com/eng/esg/rules/index.shtml

## INFORMATION SECURITY AND PRIVACY PROTECTION

### Information Security Management System Standard

The Bank has continuously conducted internationally recognised information security management system certification and kept strengthening overall information security and privacy protection capability and management level. The Bank has obtained the ISO27001 certificate and has successfully passed the audit for re-certification, with a scope covering operation maintenance of the information system, CCB Cloud platforms and cloud services of the Head Office, and the planning, construction, and technical operation management of entire infrastructure of the Bank. The Bank has built an enterprise-level IT system architecture that integrates the Head Office and branches, domestic and overseas, and parent and subsidiary companies. The operation maintenance of the information system carries the majority of the Bank's operations and transactions, meanwhile the bank actively promoted the cloud deployment of subsidiary systems, and the cloud platforms carries 82% of the subsidiaries' system deployment.

### Privacy and Data Security Protection Measures

#### Minimal data collection and retention

##### Minimal collection of customer personal information

The Bank strictly abides by the principle of minimal necessity during the collection of personal customer information. Before collecting customer information, the Bank follows the "customer notification – consent" process, whereby customers voluntarily and clearly make well- informed decisions about giving consent. The types of personal customer information collected by the Bank are directly related to the functions of the products or services provided. During the collection of personal customer information, no fraudulent, deceptive, or misleading methods are used, and the Bank does not conceal the function of collecting personal customer information associated with products or services. Personal customer information is not obtained from illegal channels, and it is not collected using improper means or coercion. Customers are not required to provide generalised authorisation for the processing of personal customer information. When collecting customer information through automated means, the frequency of collection is the minimum frequency necessary to fulfil the functions of the products or services.

##### Minimal retention of customer personal information

The Bank stores personal customer information for the shortest period necessary to achieve the purposes for which customers provided authorisation, except as otherwise required by law or administrative regulations. Once the storage period mentioned above expired, personal customer information is either deleted or anonymised. If it is technically difficult to delete personal customer information or if the retention period stipulated by law or administrative regulations had not expired, the Bank will cease processing the personal customer information, except for storage and necessary security measures.

##### Granting individuals control over their data

The Bank strictly abides by relevant laws, regulations, and regulatory requirements to fully safeguard customers' rights to control their personal information. These rights included access, rectification, and updates of personal information; deletion of personal information; change of consent scope; account cancellation; obtaining a copy of personal information; restricting automatic decision-making by information systems; and responding to customer requests.

##### Access right

When customers request to access and copy their personal information or request explanations of the processing rules, the Bank will provide relevant information or process such requests within the scope permitted by laws, regulations, and industry norms, ensuring that the legitimate rights and interests of other institutions and customers are not infringed upon.

##### Rectification right

The Bank allows customers to proactively initiate the maintenance of their personal information, preferably conducted by the customers themselves. However, certain information such as fixed telephone numbers, contact addresses, work addresses, occupation information, nationality, and document expiration dates could be handled by proxies, subject to verification of the agent's and the principal's valid identification documents and related proof of authorisation at branches, where the information of the agent was also collected.

#### Deletion right

The Bank voluntarily deletes personal customer information under any of the following circumstances. If the Bank fails to delete relevant data under the specified conditions, customers have the right to request deletion:

- The purpose of personal customer information processing has been achieved, cannot be achieved, or is no longer necessary for achieving the processing purpose;
- The Bank ceases to provide products or services, or the retention period of personal customer information has expired;
- The personal customer withdraws consent;
- Due to the use of automated collection technology, it is unavoidable to collect unnecessary personal customer information or personal customer information without consent;
- Violation of laws, regulations, or agreements regarding the processing of personal customer information; or
- Other circumstances stipulated by laws, regulations, or administrative regulations.

For other customers rights regarding personal information control, please refer to the *Key Points of Policies on Personal Information Protection*[1].

### Implementation of access control, encryption/anonymisation technology

#### Classified and hierarchical data protection

The Bank has issued the *Implementation Rules for Classified and Hierarchical Data Protection*, established data classification and recognition specifications, specified classified and hierarchical data management and protection requirements, and conducted data classification and grading based on sorting of data resource. It implemented hierarchical protection requirements for data of different security levels in activities such as collection, processing, use, and external sharing.

#### Customer privacy authorisation management

The Bank integrates customer privacy data authorisation contracting information from various business lines. It creates a unified management component for customer privacy authorisation management across the business lines and systems of the Bank, ensuring unified management of authorisation for personal tranquility rights, privacy, individual consent, and other scenarios, and strengthening compliance management and security control over personal data usage.

#### Enhanced data security technology control

The Bank continuously strengthens the technology-enabled data security protection capability, promotes the integration of data security technology with business applications, promotes the function improvement and use of the data sharing security computing platform, and accelerates the application of data access control technology frameworks in data usage scenarios such as data querying, batch data usage, and data interface calls. It optimises the function for inspecting sensitive information in production data, achieves automatic anonymisation after extracting production data, and enhances data protection capabilities.

### Data leakage/incident response plan

The Bank has formulated the management *Measures for Personal Customer Information Protection (Version 2023), Measures for Data Security Management (Version 2023)*, and *Data Security Emergency Plan*, establishing an emergency management mechanism for the protection of personal customer information. It delineated responsibilities for data security risk monitoring, emergency management of data security incidents, event classification, key scenarios, event response and disposal, reporting procedures, and key points for handling various event scenarios. The Bank established an emergency contact mechanism and coordinated orderly disposal processes, enhancing the data security incident emergency management mechanism.

#### Proactive measures

The Bank continuously strengthens the management of emergency plans and drills for the protection of personal customer information and emergency response. In accordance with the relevant regulations on personal customer information protection emergency management and disposal of the Bank, as well as local regulatory requirements, industry management requirements, and actual work conditions, the institutions refine their emergency plans for the protection of personal customer information, clarify the division of responsibilities for emergency management, conduct relevant training related to the emergency plan, and regularly organised emergency drills.

[1] Please refer to: http://www.ccb.com/eng/esg/rules/index.shtml

## INFORMATION SECURITY AND PRIVACY PROTECTION

#### Reactive control

In the event of data security incidents such as information leakage, tampering, or loss, the Bank immediately takes effective response measures. The institution where the incident occurred should promptly report to the local data security management department for confirmation. The corresponding competent institution should immediately take emergency response measures, implement business and technical control measures, analyse the causes of the incident, remedy the situation in a timely manner, control the situation, prevent the expansion of negative impacts, and complete the reporting in accordance with relevant regulations.

### Practices and authorisation rules for third-party handling of personal data

The Bank does not rent, sell, or provide personal privacy data to third parties for purposes other than completing transactions or services. Without the customer's authorisation, the Bank does not share customer information with financial partners, affiliates, or business partners. The Bank formulated the management *Measures for Data Security* and the *Implementation Opinions on Further Standardising Oversight and Assessment of Consumer Protection at Intermediaries and Third-party Institutions*, clarifying the data security management requirements for data sharing within the group, outsourcing of business processes, and external data sharing. It developed sample data security clauses for data-processing activities in the third-party cooperation to guide institutions at all levels in implementing legal and regulatory requirements and clarifying the responsibilities and obligations of cooperation partners for data security protection.

### Privacy and data security protection by suppliers and business partners

#### Regulatory procedures

The Bank continuously improves the third-party data and privacy security management system, strengthens the compliance of third-party data cooperation agreements, and formulates sample data security clauses for data-processing activities in the third-party cooperation. It clearly defines the responsibilities and obligations of commissioned processing in business outsourcing and data sharing with external parties. It requires all suppliers and partners to comply with national laws, regulations, and regulatory requirements related to data and privacy protection to safeguard the legitimate rights and interests of all data subjects and ensure the compliance and security of the data processing process.

#### Review mechanism

The Bank regularly conducts special risk assessments for third-party cooperation services involving customer personal information, clarifies the data security responsibilities in agreements, continuously improves emergency management mechanisms, and strengthens network security and data security management for information technology outsourcing and cooperation. For information technology outsourcing service providers, it requires them to conduct all-coveraged "security and confidentiality" training for all outsourced personnel serving the Bank, aiming to continually enhance the awareness of information security among outsourced personnel.

### Privacy and Data Security Education and Training

The Bank deepens the integration of special training and routine learning in various ways, continues to enhance the training and education on personal customer information protection, and improves employees' awareness and capabilities in protecting customer information.

### Routine training and learning mechanism

Relying on platforms like "CCB Learning" and enterprise WeChat channel, the Bank organises ongoing training and learning for all employees (including regular staff, workers dispatched from labour leasing companies, etc.) across the entire bank and subsidiaries. The training covers topics such as data security laws and regulations, introduction to the data security policies and management systems of the Bank, data security assessment requirements, personal customer information protection, banking privacy and customer confidentiality obligations, privacy protection designs and considerations in new projects, employee identification and response to customer requests to exercise their data rights, and measures to address privacy and data security violations. Continuous efforts are being made to enhance the awareness of personal customer information protection among employees at all levels throughout the entire group, to prevent the occurrence of risks. A knowledge repository on data security has been established, and data security training courses on the "CCB Learning" have been made available to all employees, with over 130,000 cumulative participants. Information security-related training such as secure CFT skills training, security attack and defense practical training, and security research and development and technology training are conducted, covering all employees, to continuously enhance information security awareness.

### Specialised training on personal customer information protection

Specialised training has been provided to over 700 personnel in positions related to personal customer information protection across the entire bank and subsidiaries, with 11 sets of supporting training materials. For outsourcing service providers, personal information security confidentiality provisions and training requirements were specified in agreements or contracts. According to the principle of "whoever introduces is responsible", relevant internal institutions organised training for personnel from outsourcing service providers.

### Information security drills

The Bank has participated in national-level cybersecurity events such as the National Cybersecurity Attack and Defense Exercise, Central Enterprise Cup, Wangding Cup, Longjian Cup, and other national cybersecurity competitions, achieving outstanding results. At the same time, internal cybersecurity attack and defense drills were organised within the group, and the sixth "FinTech Cup" cybersecurity attack and defense technical competition was held, with the aim of building and training a team of cybersecurity talents and creating a high-level risk prevention and control team in financial technology.

## Privacy and Data Security Audit Oversight

The Bank regularly conducts external and internal audits on privacy and data security. During the audit process, tests such as network penetration, code scanning, security authentication testing, research and development asset and data access control, and data security processing are conducted to assess the effectiveness, security, and adequacy of information security policies and systems.

### External audit of information systems

The Bank engages a third-party accounting firm to conduct an external audit of information systems every six months. In 2023, Ernst & Young was hired to carry out the semi-annual and annual external audits of information systems. The audit scope covered 75 systems across the Head Office, operation data centres, and CCB Fintech. The areas audited included IT governance, system development and launch management, system operation and maintenance management, and system security access management. Tests were conducted on system development, operation and maintenance, security management, and automated controls, with a focus on system access security, business continuity, and other processes. Additionally, tests were conducted on the automated control functions of the systems and data transmission between systems, with a focus on data accuracy and integrity.

### Special audit of information security

The audit department of the Bank conducts data and information security audits annually, achieving full coverage of the Head Office, branches and CCB Fintech within a three-year cycle. In 2023, six tier-one branches, six Head Office departments, four directly managed institutions, and CCB Fintech were selected to complete audits on financial technology cost control and financial expenses, the audit of important information security technology, the audit of application control of personal loan business systems, and the audit of credit reference business at the Head Office level, covering all key institutions of the Bank. The audit content covered technology cost items such as R&D line, operation and maintenance line, data line and finance line involved with information, network, and data security related items; customer information protection and security technology; the control of key applications of personal loan system and its support to business services, including the audit of customer information security; the organisational structure and regulation construction of the credit reference business, day-to-day management, data quality and system construction, information system and security protection including matters related to information control and data security in credit reference.

## HUMAN CAPITAL DEVELOPMENT

### Talent Development Strategy

The Bank strictly implements the *"14th Five-Year Plan" Talent Development Plan* and carried out the specialised talent development strategy in key areas such as financial technology, wealth management, risk compliance, digitalised operation, platform operation, green finance, rural revitalisation, and fund business. Measures were taken to promote the implementation of major talent programmes and special talent development plans through special campus recruitment, precise market-oriented talent introduction, and establishment of talent training bases. Meanwhile, the Bank paid close attention to the talent reserve and planed the number of talents in key areas in a scientific manner.

The Bank continuously strengthens the building of specialised personnel teams. Efforts were made to build "three teams" of personal wealth management account managers, investment research experts, and wealth consultants, refined the development of the "1+N" team that comprises corporate customer manager, product manager, investment advisor and analyst, etc., and establish more than ten professional talent pools such as anti-money laundering, data analysis, investment banking, legal, industry research, inclusive finance, wealth management investment research and consumer protection. The Bank achieved international talent reserve and training by improving the overseas talent pool. For foreign language talents, the Bank implemented a special training plan and increases campus recruitment efforts based on the demand for foreign language talents. Making full use of external resources, the Bank collaborated with renowned universities, such as Peking University HSBC, Beijing Foreign Studies University, and Shanghai International Studies University, different training plans and professional courses were formulated for middle and senior management talents, overseas talent pool members, etc.

### Professional Talent Development

The Bank attaches great importance to the training and development of professional talents, continuously improving the training system for the three positions at grassroots branches. It iteratively optimised the "Together with the Best" programme for the heads of outlets, the "Be Better with You" programme for account managers at outlets, and the "Talent with Integrity" programme for customer service managers of outlets. In 2023, the Bank conducted 20 sessions of the "Together with the Best" programme, training 1,200 heads of outlets and reserve talents; held 2 sessions of on-site training for the "Be Better with You" programme, training a total of 108 part-time instructors for the wealth management "three teams"; organised 20 sessions of on-site training for the "Talent with Integrity" programme, training 1,200 customer service managers of outlets. For details, please refer to the Bank's "ESG Disclosure" chapter in the *2023 Corporate Social Responsibility Report*.

The Bank has established and perfected the professional and technical examination system, covering all business segments of the Bank, established a professional knowledge system of teaching materials, practicing, examination and training, and created a learning atmosphere of "promoting learning by examination and promoting work by learning", helping to cultivate a team of professional talents and assisting employees to grow. In 2023, the Bank organised two professional and technical examinations, basically covering all business lines in terms of examination subjects, and covering all the domestic and overseas groups in terms of examination targets. A total of more than 310,000 employees across the Group took the exam.

The Bank actively brought in external professional resources, continuously improving the professionalism and refinement of the training and teaching system, focusing on helping employees in professional positions or business lines follow cutting-edge industry trends and business knowledge and skills. It expanded cooperation with various learning institutions to jointly provide specialised training programmes for employees. To enhance the necessary professional capabilities for employees to perform their position duties, the Bank provided resource support for employees to participate in external specialised training. It promoted employees to participate in key talent development programmes in cooperation with partner universities to help employees strengthen their career development paths. The Bank, in collaboration with the English learning resource provider goFLUENT, introduced multilingual foreign language learning resources for all employees, effectively supported the development of international talents.

### Leadership Development Training

The Bank has established and continuously improves mechanisms for cultivating leadership skills among employees at all levels, enhancing the reserve of management talents, establishing succession plans for key positions, and comprehensively improving employees' management capabilities.

The Bank continues to strengthen the construction of the core leadership curriculum system, adopted a dual-track mechanism for "leadership management functions" and "business management functions" to provide targeted training for managers at different levels according to the management needs of various levels. Regarding management difficulties that were often encountered by management personnel, effective management approaches, upward and downward communication skills, etc., the Bank provided capability training in resource allocation, conflict management, staff motivation, time management, etc. by offering various types of courses, to reduce management dilemmas faced by management personnel and help them improve management quality.

The Bank establishes a clear and explicit job system, strictly implements succession plans for managers at all levels, improves the whole chain mechanism for the selection, training management and use of young managers, clarifies the goal of normalising the proportion of young managers at all levels of management, build a special training platform for outstanding young managers, selects outstanding young talents who have been in the industry for 3 to 5 years to establish a pool of new seedlings and talents. Attaching great importance to top-level design and systematic planning, the Bank strengthens the building of senior management teams at all levels and accelerated the discovery, cultivation, and selection of excellent young talents.

The Bank has established a cultivation system and formed a three-level leadership advancement training system for "outlet managers – county-level sub – branch managers – tier-two branch managers". This system focuses on the work reality and training needs of outlet managers, county-level sub-branch managers, and tier-two branch managers. It adopts a combination of online live broadcasts and offline training, and focuses on improving the leadership skills of management personnel. For details, please refer to the Bank's "ESG Disclosure" chapter in the *2023 Corporate Social Responsibility Report*.

### Graduate and Internship Programme

The Bank is committed to nurturing and developing graduates and interns. Since 2019, it has implemented the "CCB intern" summer internship programme, targeting students from all domestic and international universities and all majors, offering diverse banking internship positions and career experiences. Simultaneously, it has conducted specialised summer internship programmes focusing on financial technology to deepen the IT students' understanding of the Bank's financial technology capabilities and positions. In addition, the Bank established the "Your Future with CCB" learning brand, creating a three-pillar training model of "orientation training + integration plan + management trainee development", actively supporting the development and growth of young employees. In 2023, the "orientation training" covered over 19,000 new employees, and the online learning zone had over 2 million visits. The "integration plan" piloted training for approximately 4,000 young employees across the Bank, and the online learning zone had over 1.27 million visits. The "management trainee development" online learning zone had over 14,000 visits. For details, please refer to the Bank's "ESG Disclosure" chapter in the *2023 Corporate Social Responsibility Report*.

### Qualification Certification and Academic Degree Course Support

The Bank provides all employees (including workers dispatched from labour leasing companies) with the comprehensive vocational qualification and certification support programme that offers resources to support employees obtaining higher academic degrees. Meanwhile, the Bank continuously refined the internal qualification and certification system and promotes the examination for professional & technical ranks to help employees improve their occupational and professional competence.

Leveraging the "CCB Learning" platform, the Bank built a comprehensive online management system for qualifications and certifications to provide efficient and digitalised certification trainings. It organised the certification for the first batch of customer service managers of outlets, certifying their qualifications comprehensively in dimensions such as certification exercises, examination, work experience, and professional ethics. More than 52,000 individuals registered for the exam. The Bank also independently constructed and continuously optimised the "CCB University Financial Planner (CUFP)" professional certification and training system. Regular certifications were conducted annually, and by the end of 2023, over 113,500 individuals had been certified. Meanwhile, the Bank established the "3+ Mentors" part-time mentor training system and the "Brilliant Wealth" brand for excellent case extraction and dissemination, facilitating the growth of CUFP holders through multiple dimensions.

The Bank deepened the cooperation with the Hong Kong University of Science and Technology (HKUST), in which the "financial technology master's programme" provides the Bank employees with a one-year full-time further study opportunity. Meanwhile, the two parties have built a joint research centre for financial technology and cooperated in improving financial technology curriculum system. In collaboration with the University of Hong Kong, the Bank organised the second phase of the Certified Data Analyst Training Programme, adopting a training model of "domestic online long-term training + overseas offline short-term training", covering 130 young business backbone personnel engaged in data analysis-related work from the Head Office and directly affiliated institutions. Upon completion of the course and assessment, participants could obtain a Data Analyst certificate accredited by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications.

The Bank supports employees in obtaining the Chartered Financial Analyst (CFA) certificate by introducing CFA learning and preparation resources on the CCB Learning platform, available to all employees.

### Training and Think Tank Resource Support

The Bank, in collaboration with world-renowned institutions, hosted the second phase of the "Digital+" integrated learning programme, themed "Customer-Centricity", covering 60 mid-level personnel engaged in digital business operations at the Head Office and branches. Additionally, the Bank organised the "Global Webinars", inviting experts from universities and industries in Singapore, the United States, Germany, Japan, and other countries to give specialised lectures on topics such as "Housing Finance and Housing Market", "International Financial Hotspots", and "Corporate Learning". The participants included employees from domestic and overseas institutions, with a total of 22 sessions held and an accumulated attendance of 12,500 participants.

### Employee Labour Competitions

The Bank vigorously advocates the spirit of model workers, labour and craftsmanship, guides employees to love their jobs and dedicate themselves to their work, cultivates advanced models of employees, and gathers the wisdom and strength of employees. The Bank continues to build a brand for employee labour competitions. In 2023, the Bank launched three major types of competitions: "Head Office Strategy Competition", "Branch Theme Competition", and "Business Promotion Competition". In addition, the Bank focused on developing exemplary competitions such as the specialised competition of competence enhancement of public account managers in corporate finance sector and wealth management competence contest in personal finance sector. It also carried out the second Head Office-level May 1 Labour Award and Vanguard Selection and Recognition, and for the first time named 10 model workers' and craftsmen's studios as the first Head Office-level "Model Workers' and Craftsmen's Innovation Studios" to further give full play to the role of models. It actively organised the representatives of model workers and craftsmen of the Bank to attend the Second National Conference on Innovation and Exchange of Craftsmen, vigorously carried out the publicity of advanced and typical deeds throughout the Bank, and called on employees to follow the example of advanced models and make their dreams come true through hard, honest and creative work.

## EMPLOYEE RIGHTS PROTECTION AND EMPLOYEE CARE

The Bank adheres to a "people-oriented" human resources philosophy, emphasising the protection of employees' legitimate rights and interests. It has a well-established enterprise democratic management mechanism and built a non-compensation welfare system covering all employees (including workers dispatched from labour leasing companies). The Bank implements diverse care initiatives to empower employee growth and development, striving to foster an atmosphere of equality, solidarity, and mutual progress between individuals and the organisation.

### Democratic Employee Management

The Bank highly values democratic employee management and employee feedback, actively guiding staff to enhance their awareness of democratic management. Employees could provide feedback and learn about the results through official websites, internal notifications, emails, internal communication tools, etc. Responsible departments such as the union and human resources regularly handled and provided feedback on employee opinions, focusing on collecting and addressing opinions and suggestions regarding career development, labour relations, compensation and benefits, workplace safety, rest and vacation, skills training, and other employee rights and development issues. During the feedback process, the Bank emphasised protecting employees' basic rights by allowing anonymous feedback and strictly controlling the scope of authorisation and access to personal information and feedbacks. During the opinion processing, information was kept strictly confidential and employees' personal information was secured through controlled data retention time.

The Bank has established a corporate democratic management system with the employee representatives' meeting as basic form, continued to explore and improve the system of multi-level employee representatives' meeting within the Group, basically achieved full coverage of the establishment of employee representatives' meeting of second-tier branches and above. The Bank has enriched the democratic channels and improved the quality of work through various forms, such as "Employee Representatives Going to the Grassroots". It encouraged all employees to participate deeply in enterprise decision-making, management, and supervision through forms such as the employee representatives' meeting, enhancing the ability of employee representatives and building a harmonious employment relationship for mutual development of the enterprises and employees. The Bank effectively utilised the union as a bridge between the Party and the employees, further improved the system of employee representatives' meeting and labour union organisation elections, actively implementing the system of proposal solicitation and handling, conducting various forms of employee opinion solicitation, promoting the democratisation, standardisation, and legalisation of the union, facilitating union members' expression of opinions and increasing their participation in union affairs.

The Bank has independently developed and operated the VOX user community, providing employees with a convenient and effective channel for bottom-up participation in the Bank's management. All outlet employees could voice their opinions and report issues anonymously or with real names in the community. The Bank strengthened the "collect-sort-solve-tracking-feedback-evaluate" closed-loop management mechanism of the VOX community, with a dedicated team for collecting and organising employee opinions and suggestions, promptly sending them to relevant units for consideration and resolution, tracking the progress, providing timely feedback to employees, and inviting them to evaluate the effectiveness of the solutions. Additionally, to improve problem-solving efficiency, the Bank established a cross-departmental fast-track mechanism to effectively protect employees' democratic communication rights. Since the launch in June 2020 until the end of 2023, the VOX community has collected a total of 3,925 employee opinions and suggestions, with the vast majority having been addressed and resolved, receiving widespread recognition from employees.

## Non-salary Benefits

### Rest and vacation rights of employees

The Bank fully ensures all employees' (including workers dispatched from labour leasing companies) rest and vacation rights. The Bank provides various types of paid annual leave, home leave, marriage leave, bereavement leave, maternity leave, nursing leave, sick leave, work-related injury leave, personal leave, and special leave for public duties, etc. The Bank optimises and adjusts relevant policies, such as extending maternity leave, paternity leave for male employees, and spousal childrearing leave, in accordance with local regulations.

### Insurance and supplementary medical insurance

The Bank strictly implements national policies and requirements. The Bank pays in full contributions to all employees' basic endowment insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund. The Bank also established an enterprise annuity plan and a supplementary medical insurance plan according to relevant regulations for all employees. The supplementary medical insurance plan mainly included commercial group medical insurance. In addition, the Bank set up a group-buying platform offering highly cost-effective health insurance products for employees, contacted social security institutions to provide childbirth allowance application service for female employees, building a complete medical protection system through multiple channels and comprehensive manner.

### Physical and mental health care

The Bank attaches great importance to employees' physical health. The Bank provides health check-up benefits for all employees (including workers dispatched from labour leasing companies) every year and pays heat prevention and cooling fees to all employees every summer, to provide cost support for employees to improve their summer working and living conditions and ensure their physical comfort and health. To fully understand the physical and mental health care needs of employees and effectively implement psychological health management, the Bank cooperated with professional institutions. It consistently organised special lectures on positive attitude, stress management, intimacy, investment psychology, etc. to continuously ensure employees' mental health. In 2023, the Head Office of the Bank, with the support of professional institutions, trained 53 mental health liaisons, and provided 284 person-time psychological counselling service.

### Employee aid system

The Bank deepens the implementation of the grassroots union's "three-level mutual aid" mechanism and "One Heart Plan", adheres to the normalised care especially on New Year's Day and Spring Festival, and carries out special care in a timely manner, focusing on caring for and comforting frontline employees of the outlets and employees with difficulties in life. During the 2023 New Year and Spring Festival, the Bank raised more than RMB52 million in care, visited 9,708 institutions and outlets, comforted more than 67,000 employees who were in distress or dispatched out of town, and provided living assistance and medical assistance to employees in need. Meanwhile, the Bank continued special assistance efforts, allocating RMB400,000 targeted relief funds for earthquake relief and assistance to Gansu and Qinghai branches in 2023.

### Diverse cultural and sports activities

The Bank regularly organises a variety of cultural activities and sports to meet the diverse needs of employees. At all levels, the union tailored various literature, art and sports activities, essay competitions, lectures, exhibitions, and public welfare projects based on employees' interests and actual requirements. In 2023, based on the needs of outlet employees, the "Outlet Employee Festival" was introduced across the Bank for the first time, aiming to boost the enthusiasm, initiative, and creativity of outlet employees through thematic campaigns, recognition, rewards, care, and various employee activities, thereby fostering a sense of respect and appreciation, and enhancing cohesion and dedication among them.

### Female employees care

The Bank continued to deepen special care and support for female employees, focusing on safeguarding their rights and interests. Efforts were made to actively address concerns regarding salary distribution, rest and vacation, education and training, growth and development, protection during menstrual, pregnancy, perinatal and lactation periods, welfare benefits and other issues, and to promote the negotiation, signing and performance of special collective contracts for female employees. The third series of activities on the theme of "New Era – New Journey – New Women" were carried out among all female employees of the Bank, awarding female models who were actively selected at the level of the Head Office. During the year, 143 new "female employee care room" projects were initiated, aiming to create a sanctuary for breastfeeding, stress reduction, learning and communication for female employees. Since 2019, the Head Office union has collaborated with grassroots units to establish over 600 "female employee care rooms", urging the establishment of over 3,000 such rooms across the Bank.

### Employee Satisfaction Survey

To listen to the voices of employees, every year the Bank conducts multi-level, multi-dimensional, multi-form and multi-theme employee satisfaction survey work facing employees in all positions and of all types, promptly analyses the survey results, devises corresponding policies and measures, and uses them as references for management decision-making to continuously enhance employee satisfaction levels.

In June 2023, the Bank conducted employee satisfaction survey for all employees of the Bank, covering issues of common concern to employees such as career development, training, compensation and benefits, strategic recognition, corporate culture, immediate supervisors, and work environment. A total of over 220,000 valid questionnaires were collected. The survey results showed an overall employee satisfaction rate of 95.33%, with satisfaction rates exceeding 95% in areas such as training, strategic recognition, corporate culture, and work environment. Based on this, the Bank conducted in-depth analysis of the employee satisfaction data, and carefully reviewed the issues and suggestions raised by employees, which served as strong references for targeted improvements in human resource management services in the next phase.

The Bank conducts grassroots outlet employee satisfaction surveys once in mid-year and once at the end of each year, covering aspects such as salary distribution, welfare benefits, career development, learning and training, and workload reduction and empowerment. In December 2023, a questionnaire survey was conducted among the staff in all operating outlets, with 160,049 questionnaires collected, and an average satisfaction score of 4.55 (out of 5), representing an increase of 0.07 point from the end of 2022, achieving four consecutive years of satisfaction improvement. At the end of 2023, a special satisfaction survey about reducing burden was conducted among grassroots employees across all outlets, with 15,474 questionnaires collected, and an average satisfaction score of 4.72 (out of 5), an increase of 0.74 points from the end of 2022. In July 2023, a questionnaire survey was conducted among the staff in selected operating outlets, with 17,351 questionnaires collected, and an average satisfaction score of 4.38 (out of 5), which was almost unchanged over the same period of 2022. Meanwhile, the survey results were promptly analysed, and feedback on employee care at grassroots outlets for 2024 was widely solicited, leading to the formulation of key points for grassroots outlet employee care projects. These include promoting the implementation and optimisation of career development and incentive guarantee systems for grassroots employees, further alleviating pressure of outlet employees, intensifying efforts to streamline routine work at outlets, and iteratively optimising specialised training for outlet staff.

## CHARITABLE CONTRIBUTIONS

The Bank actively embraces social responsibility, and adheres to the "Three Leadings and One Integration" public welfare concept of "leading employees to participate in public welfare, leading customers to participate in public welfare, leading institutions to participate in public welfare, and integrating business with public welfare". Upholding the public welfare culture of "helping others, openness and sharing", the Bank adhered to philanthropic mission, actively engaging in diverse charity and volunteer activities, fully promoting the value of developing finance for the common good, and striving to contribute to society. The Bank actively relies on the "Workers' Harbour" to carry out public welfare actions, and has deeply participated in the construction of the "Outdoor worker service station" of the All-China Federation of Trade Unions. The Bank has also cooperated with the China Worker Development Foundation to organise a number of public welfare activities for outdoor workers in Beijing, Tianjin and other places. In 2023, the Bank donated a total of RMB133 million externally, focusing on supporting poverty alleviation achievements, rural revitalisation, long-term philanthropic projects, sudden natural disasters, and innovative public welfare activities. For details, please refer to the Bank's "Putting People First, Building a Better Life Together" chapter in the *2023 Corporate Social Responsibility Report*.

## PROGRESS IN SUSTAINABLE DEVELOPMENT INVESTMENT AND FINANCING

| Level I | Level II | Investment Situation | Target |
|---|---|---|---|
| Basic Infrastructure | 1.1 Affordable, accessible transportation | At the end of 2023, the balance of loans in the construction and operation of urban and rural public transportation systems was RMB353.531 billion. | SDG 9, 11 |
| | 1.4 Energy | At the end of 2023, the balance of loans to support the construction and operation of green energy facilities was RMB571.175 billion. | SDG 7, 13, 14 |
| | 1.5 Environmental sanitation management | At the end of 2023, the balance of loans in the field of environmental sanitation, including sewage treatment and household waste disposal was RMB143.902 billion. | SDG 6, 9, 13, 14, 15 |
| | 1.7 Information and communication technologies (ICT) | At the end of 2023, the balance of loans in the information and communication technology industry was RMB559.733 billion[1]. | SDG 9, 11 |
| Affordable housing | 2.4 Housing for low income groups | At the end of 2023, the balance of loans used to support projects that obtained certificaton of recognition as secure rental housing was RMB136.981 billion, and the balance of loans used to support the development of government subsidised housing projects[2] was RMB118.216 billion. | SDG 1, 2, 10, 11 |
| Health | 3.1 Medical care and sanitation services | At the end of 2023, the balance of loans to medical and health industry was RMB122.034 billion. | SDG 3, 10 |
| | 3.3 Manufacturing for medical and sanitation industries | At the end of 2023, the Bank had a balance of RMB94.885 billion in loans to medical and health-related manufacturing industries. | SDG 3, 9, 10 |
| Education, Technology, and Culture | 4.1 Education | At the end of 2023, the balance of loans to the education sector was RMB101.420 billion. | SDG 4, 5, 10 |
| | 4.2 Technology mainstreaming | At the end of 2023, the balance of science and technology loans was RMB1.53 trillion. | SDG 8, 9, 11, 12 |
| Food Security | 5.1 Agricultural production | At the end of 2023, the balance of loans in agriculture, forestry, livestock and fisheries was RMB175.404 billion, an increase of RMB54.028 billion from the previous year. | SDG 2 |
| | 5.4 Agricultural inputs and facilities | At the end of 2023, the balance of loans in agricultural inputs and facilities was RMB51.757 billion, an increase of RMB14.371 billion from the previous year. | SDG 2 |
| Financial Services | 6.1 Savings and current account financial services | At the end of 2023, the balance of loans in domestic personal deposits was RMB14.87 trillion, an increase of RMB1.79 trillion from the end of the previous year. | SDG 1, 8, 9, 10 |
| | 6.2 Credit financial services | At the end of 2023, the balance of inclusive financial loans was RMB3.04 trillion, and the number of loan borrowers was 3,173.3 thousand. | SDG 1, 5, 8, 9 |

1 The data specification of loan balance of ICT industry: the sum of the data of "high-tech manufacturing industry – electronic and communication equipment manufacturing industry" and the data of "information transmission, software and information technology service industry" of the national standard industry.

2 Including affordable housing development loans, low-cost housing development loans, public rental housing development loans, loans for shantytown redevelopment housing projects, and price-restricted commercial housing development loans, with no placement-type guaranteed housing for the time being.

# MAJOR ISSUES

## PERFORMANCE OF UNDERTAKINGS

In September 2004, Huijin made a commitment of "Non-Compete", i.e., as long as Huijin continues to hold any shares of the Bank, or is deemed as a controlling shareholder or a related party of the controlling shareholder of the Bank in accordance with related PRC laws or listing rules of the Bank's listing venues, Huijin would not engage in or participate in any competing commercial banking businesses, including but not limited to granting loans, taking deposits, providing settlement, fund custody, bank card and currency exchange services. However, Huijin may still engage in or participate in competing businesses through investing in other commercial banks. Accordingly, Huijin committed that it would: (1) fairly treat its investments in commercial banks, and would not abuse its shareholder position in the Bank or the information it obtained through its shareholder position in the Bank to make decisions detrimental to the Bank but beneficial to other commercial banks; and (2) exercise its shareholder's rights for the best interests of the Bank.

On 6 April 2016, in accordance with relevant rules of the CSRC, in order to ensure the effective fulfilment of the measures to make up for the immediate return diluted by the issuance of preference shares of the Bank, Huijin undertook not to intervene with the operation and management of the Bank and not to misappropriate the interests of the Bank.

As of 31 December 2023, Huijin had not breached any of the above undertakings.

## MISAPPROPRIATION OF FUNDS FOR NON-OPERATIONAL PURPOSE

During the reporting period, there was no misappropriation of the Bank's funds by the controlling shareholder or other related parties for non-operational purpose.

## ILLEGAL GUARANTEES

During the reporting period, the Bank did not enter into any guarantee contract in violation of relevant regulations.

## AUDITORS

Ernst & Young Hua Ming LLP was appointed as the domestic auditor of the Bank and its domestic subsidiaries for the year of 2023 and Ernst & Young was appointed as the international auditor of the Bank and most of its overseas subsidiaries for the year of 2023. Ernst & Young Hua Ming LLP was appointed as the auditor of internal control of the Bank for the year of 2023. Ernst & Young Hua Ming LLP and Ernst & Young have provided audit service to the Bank for five years in total. Mr. Jiang Changzheng of Ernst & Young Hua Ming LLP has been partner and signing accountant of the Bank's A-share audit engagement since 2022, and Ms. Gu Jun and Ms. Li Linlin have been signing accountants of the Bank's A-share audit engagement since 2023. Mr. Choi Kam Cheong, Geoffrey of Ernst & Young has been partner and signing accountant of the Bank's H-share audit engagement since 2019.

The fees for the audit of financial statements (including the audit of internal control) and other services paid to Ernst & Young Hua Ming LLP, Ernst & Young and other international member firms of Ernst & Young by the Group are set out as follows.

| (In millions of RMB) | **2023** | 2022 | 2021 |
|---|---|---|---|
| Fees for the audit of financial statements | **140.96** | 140.96 | 140.96 |
| Other service fees | **10.72** | 12.61 | 12.71 |

1. Other services mainly include professional services provided for bond issuance and verification of tax declaration.

## MATERIAL LITIGATIONS AND ARBITRATIONS

During the reporting period, the Bank was not subject to any material litigation or arbitration.

## PENALTIES

During the reporting period, the Bank was not subject to any investigations in accordance with laws for any suspected crimes. Neither the controlling shareholder, actual controller, directors, supervisors nor the senior executives of the Bank were subject to coercive measures in accordance with laws for any suspected crimes, or were detained by disciplinary inspection and supervision authorities for suspected serious violations of disciplines and laws or for duty-related crimes and were unable to fulfil duties due to such reasons. Neither the Bank, the controlling shareholder, actual controller, directors, supervisors nor the senior executives of the Bank were subject to criminal penalties, investigations or administrative penalties by the CSRC for suspected violations of laws and regulations, material administrative punishments by other relevant authorities, or administrative supervision measures by the CSRC or disciplinary actions by the stock exchanges. Neither the directors, supervisors nor the senior executives of the Bank were subject to coercive measures by other relevant authorities for suspected violations of laws and regulations and were unable to fulfil duties due to such reason.

## INTEGRITY

During the reporting period, the Bank and its controlling shareholder had no unperformed obligations rendered by valid legal documents of the courts, or significant outstanding matured debts.

## MATERIAL RELATED PARTY TRANSACTIONS

During the reporting period, the Bank had no material related party transactions.

## MATERIAL CONTRACTS AND THEIR PERFORMANCE

During the reporting period, the Bank did not enter into any material arrangement for custody, contracting or leasing of other companies' assets, or allow its assets to be subject to such arrangements by other companies.

The guarantee business is an off-balance sheet service in the ordinary course of the Bank's business. The Bank did not have any material guarantee that is required to be disclosed except for the financial guarantee services within its business scope as approved by the regulators. During the reporting period, the Bank did not enter into any other material contract that is required to be disclosed.

## MAJOR EVENTS

In February 2023, the general partner and fund manager of CCB Housing Rental Fund was changed to CCB Housing Rental Private Fund Management Co., Ltd. Please refer to the announcement published by the Bank on 28 February 2023 for details. In March 2023, the Bank made a paid-in capital contribution of RMB5 billion to CCB Housing Rental Fund, with the cumulative paid-in capital contribution reaching RMB10 billion.

In March 2023, the Bank issued green financial bonds of RMB10 billion. In May 2023, the Bank issued overseas green bonds with dual themes of "biodiversity" and "Belt and Road", with total proceeds equivalent to US$780 million. In November 2023, the Bank issued climate change-themed green bonds overseas, raising a total of US$1.43 billion.

In May 2023, the former CBIRC Beijing Office approved the opening of CCB Consumer Finance, the subsidiary of the Bank. CCB Consumer Finance was established by the Bank, Beijing State-owned Assets Management Co., Ltd. and Wangfujing Group Co., Ltd. with a registered capital of RMB7.2 billion, 83.33% of which was contributed by the Bank. In June 2023, CCB Consumer Finance completed the registration procedures for business establishment and officially opened for business. For details, please refer to the announcement issued by the Bank on 31 May 2023 and "Management Discussion and Analysis – Business Review – Integrated Operation Subsidiaries" in this report.

For other major events during the reporting period, please refer to announcements disclosed by the Bank on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank.

## OTHER SHAREHOLDING OR SHARE PARTICIPATIONS

During the reporting period, the Bank did not take control of or invest in other new entities.

# CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

## CHANGES IN ORDINARY SHARES

Unit: share

| | 1 January 2023 | | Changes during the reporting period +/(-) | | | | | 31 December 2023 | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | Percentage (%) | Issuance of additional shares | Bonus issue | Shares converted from capital reserve | Others | Subtotal | **Number of shares** | **Percentage (%)** |
| **I. Shares subject to selling restrictions** | | | | | | | | | |
| **II. Shares not subject to selling restrictions** | | | | | | | | | |
| 1. RMB ordinary shares | 9,593,657,606 | 3.84 | – | – | – | – | – | **9,593,657,606** | **3.84** |
| 2. Overseas listed foreign investment shares | 95,231,418,499 | 38.09 | – | – | – | – | – | **95,231,418,499** | **38.09** |
| 3. Others[1] | 145,185,901,381 | 58.07 | – | – | – | – | – | **145,185,901,381** | **58.07** |
| **III. Total number of shares** | 250,010,977,486 | 100.00 | – | – | – | – | – | **250,010,977,486** | **100.00** |

1. H-shares of the Bank free from selling restrictions held by the promoters of the Bank, i.e., Huijin, Baowu Steel Group, State Grid and Yangtze Power.

## SECURITIES ISSUANCE AND LISTING

During the reporting period, the Bank did not issue any ordinary shares, convertible bonds or preference shares.

According to the resolution of the 2021 second extraordinary general meeting of the Bank and upon approvals of the NFRA and the PBC, in March 2023, the Bank issued fixed-rate Tier 2 capital bonds of RMB5 billion with a term of ten years and RMB15 billion with a term of 15 years in the domestic market, and the Bank has a conditional right to redeem the bonds at the end of the fifth year and the tenth year respectively; the coupon rates are 3.49% and 3.61% respectively; the proceeds raised are used to replenish the Bank's Tier 2 capital. In July, the Bank issued undated additional Tier 1 capital bonds of RMB30 billion in domestic market, and the Bank has a conditional right to redeem on each interest payment date in the fifth year and thereafter, with a coupon rate of 3.29% for the first five years and adjusted every five years; the proceeds raised are used to replenish the Bank's Tier 1 capital. In September, the Bank issued undated additional Tier 1 capital bonds of RMB30 billion in the domestic market, and the Bank has a conditional right to redeem on each interest payment date in the fifth year and thereafter, with a coupon rate of 3.37% for the first five years and adjusted every five years; the proceeds raised are used to replenish the Bank's Tier 1 capital.

According to the resolution of the 2022 annual general meeting of the Bank and upon approvals of the NFRA and the PBC, in October 2023, the Bank issued fixed-rate Tier 2 capital bonds of RMB45 billion with a term of ten years and RMB15 billion with a term of 15 years in the domestic market, and the Bank has a conditional right to redeem the bonds at the end of the fifth year and the tenth year respectively; the coupon rates are 3.45% and 3.53% respectively. In November, the Bank issued fixed-rate Tier 2 capital bonds of RMB25 billion with a term of ten years and RMB15 billion with a term of 15 years in the domestic market, and the Bank has a conditional right to redeem the bonds at the end of the fifth year and the tenth year respectively, and the coupon rates are 3.30% and 3.42% respectively. All proceeds raised are used to replenish the Bank's Tier 2 capital.

For details of the issuance of other debt securities, please refer to Note "Debt securities issued" to the financial statements.

## CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

## ORDINARY SHAREHOLDERS

At the end of the reporting period, the Bank had a total of 314,479 ordinary shareholders, of whom 38,587 were holders of H-shares and 275,892 were holders of A-shares. As at 29 February 2024, the Bank had 302,957 ordinary shareholders, of whom 38,508 were holders of H-shares and 264,449 were holders of A-shares.

Unit: share

| **Total number of ordinary shareholders** | | | | **314,479 (Total number of registered holders of A-shares and H-shares as at 31 December 2023)** |
|---|---|---|---|---|
| **Particulars of shareholding of top ten ordinary shareholders** | | | | |
| **Name of ordinary shareholder** | **Nature of shareholder** | **Shareholding percentage (%)** | **Changes during the reporting period** | **Total number of shares held** |
| Huijin [1] | State | 57.03 | – | 142,590,494,651 (H-share) |
| | | 0.11 | +71,450,968 | 267,392,944 (A-share) |
| HKSCC Nominees Limited [2] | Foreign legal person | 37.53 | -24,789,554 | 93,817,717,989 (H-share) |
| China Securities Finance Corporation Limited | State-owned legal person | 0.88 | – | 2,189,259,672 (A-share) |
| State Grid [3] | State-owned legal person | 0.64 | – | 1,611,413,730 (H-share) |
| Reca Investment Limited | Foreign legal person | 0.34 | – | 856,000,000 (H-share) |
| Yangtze Power | State-owned legal person | 0.26 | – | 648,993,000 (H-share) |
| Hong Kong Securities Clearing Company Ltd. | Foreign legal person | 0.26 | +250,467,457 | 640,021,525 (A-share) |
| Central Huijin Asset Management Ltd. | State-owned legal person | 0.20 | – | 496,639,800 (A-share) |
| Baowu Steel Group | State-owned legal person | 0.13 | – | 335,000,000 (H-share) |
| Hexie Health Insurance Co., Ltd. – Universal insurance products | Others | 0.09 | +119,241,480 | 228,075,339 (A-share) |

1. Huijin increased its shareholding by 18,379,960 A-shares of the Bank through the trading system of Shanghai Stock Exchange on 11 October 2023, and intended to continue to increase its shareholding of the Bank in the secondary market in its own name within the following six months. By 31 December 2023, Huijin had increased its shareholding by 71,450,968 A-shares of the Bank on a cumulative basis, representing 0.03% of the total issued share capital of the Bank.
2. It includes H-shares of the Bank held by Temasek Holdings (Private) Limited. As at 31 December 2023, State Grid, Yangtze Power and Baowu Steel Group held 1,611,413,730 H-shares, 648,993,000 H-shares and 335,000,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited. Save the aforesaid H-shares of the Bank held by State Grid, Yangtze Power and Baowu Steel Group, 93,817,717,989 H-shares of the Bank were held under the name of HKSCC Nominees Limited.
3. As at 31 December 2023, the holding of H-shares of the Bank by State Grid through its subsidiaries was as follows: State Grid International Development Co., Ltd. held 296,131,000 shares, State Grid International Development Limited held 1,315,282,730 shares.
4. Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin. HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Ltd. Apart from these, the Bank is not aware of any connected relation or concerted action among the aforesaid shareholders.
5. As at 31 December 2023, none of the top ten shareholders were involved in margin trading, short selling or refinancing of funds or securities, except the unknown status of HKSCC Nominees Limited and the disclosure attached below.
6. None of the shares held by the aforesaid shareholders were subject to selling restrictions. None of the aforesaid shares were pledged, labelled or frozen except that the status of the shares held under the name of HKSCC Nominees Limited was unknown.

**Top Ten Shareholders' Shares on Loan through Refinancing**

Unit: share

| **Name of shareholder** | **Shares held in normal account and credit account at the beginning of the period** | | **Shares on loan through refinancing at the beginning of the period** | | **Shares held in normal account and credit account at the end of the period** | | **Shares on loan through refinancing at the end of the period** | |
|---|---|---|---|---|---|---|---|---|
| | **Total number** | **Shareholding percentage (%)** | **Total number** | **Shareholding percentage (%)** | **Total number** | **Shareholding percentage (%)** | **Total number** | **Shareholding percentage (%)** |
| Hexie Health Insurance Co., Ltd. – Universal insurance products | 108,833,859 | 0.04 | 4,900,000 | 0.00 | 228,075,339 | 0.09 | – | – |

**Change in Top Ten Shareholders Compared to the End of Last Year**

Unit: share

| Name of shareholder | Entry/Exit during the reporting period | Shares on loan through refinancing at the end of the period | | Shares held in normal account and credit account and shares on loan through refinancing at the end of the period | |
|---|---|---|---|---|---|
| | | Total number | Shareholding percentage (%) | Total number | Shareholding percentage (%) |
| China Life Insurance Company Limited – Traditional – Ordinary insurance product – 005L–CT001SH | Exit | – | – | 53,500,608 | 0.02 |
| Hexie Health Insurance Co., Ltd. – Universal insurance products | Entry | – | – | 228,075,339 | 0.09 |

## SUBSTANTIAL SHAREHOLDER OF THE BANK

Huijin is the controlling shareholder of the Bank, holding 57.14% of the shares of the Bank at the end of the reporting period, and indirectly held 0.20% of the shares of the Bank through its subsidiary, Central Huijin Asset Management Ltd. Huijin is a wholly state-owned company established in accordance with the PRC Company Law on 16 December 2003 with the approval of the State Council. Both its registered capital and paid-in capital is RMB828,209 million. Its legal representative is Mr. Peng Chun. Huijin makes equity investment in key state-owned financial institutions as authorised by the State Council, and exercises the contributor's rights and obligations in key state-owned financial institutions up to its contribution amount on behalf of the State to achieve preservation and appreciation of state-owned financial assets. Huijin does not engage in any other commercial business activities, nor does it interfere with daily operations of the key state-owned financial institutions of which it is the controlling shareholder.

As at 31 December 2023, information on the enterprises directly held by Huijin is as follows.

| No. | Name of institution | Shareholding of Huijin (%) |
|---|---|---|
| 1 | China Development Bank | 34.68 |
| 2 | Industrial and Commercial Bank of China Limited [1, 2] | 34.79 |
| 3 | Agricultural Bank of China Limited [1, 2] | 40.14 |
| 4 | Bank of China Limited [1, 2] | 64.13 |
| 5 | China Construction Bank Corporation [1, 2, 3] | 57.14 |
| 6 | China Everbright Group Ltd. | 63.16 |
| 7 | China Export & Credit Insurance Corporation | 73.63 |
| 8 | China Reinsurance (Group) Corporation [2] | 71.56 |
| 9 | China Jianyin Investment Limited | 100.00 |
| 10 | China Galaxy Financial Holding Co., Ltd. | 69.07 |
| 11 | Shenwan Hongyuan Group Co., Ltd. [1, 2] | 20.05 |
| 12 | New China Life Insurance Company Limited [1, 2] | 31.34 |
| 13 | China International Capital Corporation Limited [1, 2] | 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. [1, 2] | 30.76 |
| 18 | China Galaxy Asset Management Co., Ltd. | 13.30 |
| 19 | Guotai Junan Investment Management Co., Ltd. | 14.54 |

1. A-share listed companies held by Huijin, the controlling shareholder of the Bank, as at 31 December 2023.
2. H-share listed companies held by Huijin, the controlling shareholder of the Bank, as at 31 December 2023.
3. Besides the enterprises above controlled or held by Huijin, Huijin has a wholly-owned subsidiary Central Huijin Asset Management Ltd., which was established in November 2015 in Beijing with a registered capital of RMB5 billion, and engages in assets management business.

Please refer to the *Announcement on Matters related to the Incorporation of China Investment Corporation* published by the Bank on 9 October 2007 for details of China Investment Corporation.

At the end of the reporting period, there were no other corporate shareholders holding 10% or more of shares of the Bank except for HKSCC Nominees Limited, nor were there any internal employee shares.

## DETAILS OF PREFERENCE SHARES

At the end of the reporting period, the Bank had 26 preference shareholders, all of which were domestic preference shareholders. As at 29 February 2024, the Bank had 28 preference shareholders, all of which were domestic preference shareholders.

At the end of 2023, the particulars of shareholding of the top ten domestic preference shareholders of the Bank were as follows.

Unit: share

| Name of preference shareholder | Nature of shareholder | Shareholding percentage (%) | Changes during the reporting period | Total number of shares held |
|---|---|---|---|---|
| Hwabao Trust Co., Ltd. | Others | 11.69 | -16,000,000 | 70,140,000 |
| Bosera Asset Management Co., Limited | Others | 10.17 | – | 61,000,000 |
| Shanghai Branch of Bank of China Limited | Others | 9.07 | -35,600,000 | 54,400,000 |
| China Life Insurance Company Limited | Others | 8.33 | – | 50,000,000 |
| China Mobile Communications Group Co., Ltd. | State-owned legal person | 8.33 | – | 50,000,000 |
| China Ping An Life Insurance Co., Ltd. | Others | 8.28 | +49,660,000 | 49,660,000 |
| Everbright Securities Asset Management Co., Ltd. | Others | 4.54 | +15,600,000 | 27,240,000 |
| GF Securities Asset Management (Guangdong) Co., Ltd. | Others | 4.50 | – | 27,000,000 |
| Postal Savings Bank of China Co., Ltd. | Others | 4.50 | – | 27,000,000 |
| Sun Life Everbright Asset Management Co., Ltd. | Others | 4.18 | +25,060,000 | 25,060,000 |

1. Particulars of shareholding of the preference shareholders were based on the information in the Bank's register of preference shareholders. None of the aforesaid preference shares had restoration of voting rights, or were pledged, labelled or frozen.
2. The Bank is not aware of any connected relation or concerted action among the aforesaid preference shareholders, or between the aforesaid preference shareholders and the top ten ordinary shareholders.

According to the resolution and authorisation of the shareholders' general meeting, the meeting of the board of directors of the Bank held on 26 October 2023 considered and approved the dividend distribution plan of domestic preference shares of the Bank. Dividends of preference shares are paid in cash by the Bank to preference shareholders on an annual basis. Dividends not fully distributed to preference shareholders are not accumulated to the next year. After the preference shareholders receive dividends at the agreed dividend rate, they are not entitled to the distribution of any remaining profit with ordinary shareholders.

According to the terms of issuance of domestic preference shares, the Bank distributed dividends of RMB2,142 million (including tax) to the holders of the domestic preference shares. Such dividends were paid in cash on 26 December 2023. Please refer to the announcement published on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank for information on dividend distribution for preference shares.

Distributions of dividends for preference shares of the Bank in the past three years were as follows.

| | **2023** | | 2022 | | 2021 | |
|---|---|---|---|---|---|---|
| (In millions of RMB, except percentages) | **Dividend rate** | **Dividend distribution (including tax)** | Dividend rate | Dividend distribution (including tax) | Dividend rate | Dividend distribution (including tax) |
| Domestic preference shares | **3.57%** | **2,142** | 4.75% | 2,850 | 4.75% | 2,850 |

In accordance with *Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments*, *Accounting Standards for Enterprise No. 37 – Presentation of Financial Instruments* and *Rules on Distinguishing Financial Liabilities and Equity Instruments and Relevant Accounting Treatments* promulgated by the MOF of the PRC, as well as *International Financial Reporting Standard No. 9 – Financial Instruments* and *International Accounting Standard No. 32 – Financial Instruments: Presentation* formulated by the International Accounting Standards Board, the existing preference shares issued by the Bank meet the requirements of equity instruments in their terms and conditions, and are treated as equity instruments.

The Bank had not issued preference shares in the past three years. During the reporting period, the Bank had no redemption or conversion of preference shares.

# REPORT OF THE BOARD OF DIRECTORS

The Board of the Bank is pleased to present its report together with the financial statements of the Group for the year ended 31 December 2023.

## PRINCIPAL ACTIVITIES

The Group is engaged in a range of banking services and related financial services.

## BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2023 is set out in the "Management Discussion and Analysis" of this annual report.

## PROFIT AND DIVIDENDS

The profit of the Group for the year 2023 and the Group's financial position at the end of 2023 are set out in the "Financial Statements" of this annual report. The analysis on operating results, financial position and related changes during the reporting period are set out in the "Management Discussion and Analysis" of this annual report.

In accordance with the resolutions of the 2022 annual general meeting, the Bank paid a cash dividend of RMB0.389 per share (including tax) for 2022, totalling approximately RMB97,254 million, to all shareholders whose names appeared on the register of members after the closing of the stock market on 13 July 2023.

The Board proposes a cash dividend of RMB0.400 per share (including tax) for 2023, totalling RMB100,004 million, to all shareholders subject to deliberation and approval of the 2023 annual general meeting. After the approval of the annual general meeting, the dividend will be distributed to the shareholders whose names appeared on the register of members of the Bank after the closing of the stock market on 11 July 2024. The expected payment date of A-share annual cash dividend for 2023 is 12 July 2024, and the expected payment date of H-share annual cash dividend is 2 August 2024.

The Bank's H-share register of members will be closed from 6 July 2024 to 11 July 2024 (both days inclusive), during which period no transfer of H-shares will be effected. In order to receive the cash dividend for 2023, the Bank's H-shares holders who have not registered the transfer documents, must deposit the transfer documents together with the relevant share certificates at the H-Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at or before 4:30 pm on 5 July 2024. The address is Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The last trading day of the Bank's H-shares before ex-dividend is 3 July 2024, and the ex-dividend day is 4 July 2024.

## ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Bank's 2023 annual general meeting will be held on 27 June 2024. In order to determine the H-share shareholders's eligibility to attend the annual general meeting, the Bank's H-share register of members will be closed from 24 June 2024 to 27 June 2024 (both days inclusive), during which period no transfer of H-shares will be effected. In order to attend the 2023 annual general meeting, H-share holders must deposit the transfer documents together with the relevant share certificates at the H-Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at or before 4:30 pm on 21 June 2024.

## FORMULATION AND IMPLEMENTATION OF PROFIT DISTRIBUTION POLICY

The Bank may distribute dividends in the form of cash, shares and a combination of cash and shares. Unless under special circumstances, the Bank shall distribute dividends in cash if it gains profit in the year and has positive undistributed profits on cumulative basis. The cash dividends distributed by the Bank in a year shall be no less than 10% of the net profit attributable to equity shareholders of the Bank on a consolidated basis in the same year. To make adjustment to the profit distribution policy, the Board shall conduct a specific discussion to elaborate on the reasons to make the adjustments and prepare a written report. Independent non-executive directors shall express their views, and the matter shall be approved in the form of special resolution by the shareholders' general meeting. The Bank shall provide the shareholders with online voting channels when reviewing the adjustments to the profit distribution policy.

The formulation and implementation of the Bank's profit distribution policies conforms to the provisions of the Bank's Articles of Association and the requirements of the resolutions of the general meeting of shareholders. The Bank has sound decision-making procedures and mechanisms as well as clear and definite dividend distribution criteria and ratio. The independent non-executive directors conducted due diligence and fulfilled their duties in the decision-making process of the profit distribution plan. Minority shareholders may fully express their opinions and appeals, and their legitimate rights and interests are fully protected.

## REPORT OF THE BOARD OF DIRECTORS

The amounts of cash dividends and ratios of cash dividends to net profit of the Bank for the years from 2021 to 2023 are as follows.

| (In millions of RMB, except percentages) | **2023** | 2022 | 2021 |
|---|---|---|---|
| Cash dividends | **100,004** | 97,254 | 91,004 |
| Ratio of cash dividends to net profit [1] | **30.1%** | 30.0% | 30.0% |

1. Net profit refers to the net profit attributable to equity shareholders of the Bank on a consolidated basis. Please refer to Note "Profit Distributions" to the financial statements of annual reports of the related years for details of cash dividends.

Please refer to "Details of Preference Shares" of this annual report for details of the profit distribution of preference shares.

## TAXATION AND TAX REDUCTION AND EXEMPTION

Shareholders of the Bank pay relevant taxes according to tax laws and regulations, enjoy potential tax reduction and exemption in line with their actual situations, and should seek advice from professional tax and legal consultants for specific taxation matters. At the end of 2023, the relevant tax laws and regulations are as follows:

### Holders of A-Shares

According to the *Circular Concerning the Implementation of Differentiated Individual Income Tax Policies on Dividends from Listed Companies* (Cai Shui [2012] No. 85) and *Circular Concerning the Differentiated Individual Income Tax Policies on Dividends from Listed Companies* (Cai Shui [2015] No. 101) issued by the MOF, the State Administration of Taxation and the CSRC, for the stocks held for more than one year, the dividend income shall be temporarily exempted from individual income tax; for the stocks held for more than one month but not more than one year (inclusive), the dividend income shall be temporarily included in the taxable income at the reduced rate of 50%; for stocks held for not more than one month (inclusive), the dividend income shall be included in the taxable income in full amount. Individual income taxes on the aforesaid income shall be collected at a uniform rate of 20%. Individual income taxes on dividends from listed companies for securities investment funds shall be collected according to the rules aforesaid as well.

According to article 26(2) of the *Law on Enterprise Income Tax*, dividends and other equity investment income between qualified resident enterprises are tax-free income.

According to article 83 of the *Regulations for the Implementation of the Law on Enterprise Income Tax*, the "dividends and other equity investment income between qualified resident enterprises" as prescribed in article 26(2) of the *Law on Enterprise Income Tax* refer to investment income obtained by a resident enterprise from the direct investment in other resident enterprises. The "stock equity and other equity investment income" as prescribed in article 26(2) of the *Law on Enterprise Income Tax* exclude investment income from outstanding stocks publicly issued by a resident enterprise on stock exchanges that are held less than 12 months.

According to the *Law on Enterprise Income Tax* and the regulations for its implementation, the enterprise income tax on dividend income obtained by non-resident enterprise shareholders shall be levied at a reduced rate of 10%.

### Holders of H-Shares

According to PRC tax laws and regulations, withholding agents shall withhold and pay individual income tax on dividend income for shares of non-foreign-invested domestic enterprises listed in Hong Kong obtained by an offshore resident individual. However, the offshore resident individual shareholder holding Hong Kong-listed shares of domestic non-foreign-invested enterprises may enjoy relevant preferential tax treatment under the tax treaties between China and the state where such shareholder possesses resident status, or the indirect tax arrangements between the Chinese mainland and Hong Kong or Macau. Generally, as for individual holders of H-shares, individual income tax shall be withheld and paid at the rate of 10%, unless it is otherwise provided by tax laws and regulations and relevant tax treaties.

According to *Notice on the Issues Concerning Withholding Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to Holders of H-shares Which Are Overseas Non-resident Enterprises* (Guo Shui [2008] No. 897) published by the State Administration of Taxation, when a Chinese resident enterprise pays dividends for the year of 2008 or any year thereafter to its holders of H-shares which are overseas non-resident enterprises, it shall withhold enterprise income tax thereon at a uniform rate of 10%.

According to current practice of the Hong Kong Inland Revenue Department, holders of H-shares in Hong Kong do not need to pay tax for dividends distributed by the Bank.

Issues about taxation of Shanghai-Hong Kong Stock Connect shall follow the *Notice on Taxation Policies Concerning the Pilot Programme of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets* (Cai Shui [2014] No. 81) issued by the MOF, the State Administration of Taxation and the CSRC.

Issues about taxation of Shenzhen-Hong Kong Stock Connect shall follow the *Notice on Taxation Policies Concerning the Pilot Programme of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets* (Cai Shui [2016] No. 127) issued by the MOF, the State Administration of Taxation and the CSRC.

### Preference Shareholders

Individual income tax payment related to dividends of non-public domestic preference shares obtained by individuals shall follow the relevant PRC tax laws and regulations.

As prescribed by the *Law on Enterprise Income Tax* and the *Regulation for Implementation of the Law on Enterprise Income Tax*, dividends of domestic preference shares between qualified resident enterprises are tax-free. Enterprise income tax on dividends of domestic preference shares obtained by non-resident enterprises, in general, shall be collected at the preferential rate of 10%.

## SUMMARY OF FINANCIAL INFORMATION

Please refer to "Financial Highlights" of this annual report for the summary of the operating results, assets and liabilities of the Group for the years from 2019 to 2023.

## RESERVES

Please refer to "Consolidated Statement of Changes in Equity" of this annual report for details of the movements in the reserves of the Group for the year 2023.

## DONATIONS

Charitable donations made by the Group for the year 2023 were RMB133 million.

## FIXED ASSETS

Please refer to Note "Fixed Assets" to the financial statements of this annual report for details of movements in fixed assets of the Group for the year 2023.

## RETIREMENT BENEFITS

Please refer to Note "Accrued Staff Costs" to the financial statements of this annual report for details of the retirement benefits provided to employees of the Group.

## MAJOR CUSTOMERS

For the year 2023, the aggregate amount of interest income and other business income generated from the five largest customers of the Group accounted for less than 30% of the total interest income and other business income of the Group.

## ULTIMATE PARENT COMPANY AND ITS SUBSIDIARIES

Please refer to "Changes in Share Capital and Particulars of Shareholders – Substantial Shareholder of the Bank" of this annual report and Note "Long-term Equity Investments" to the financial statements for details of the Bank's ultimate parent company and its subsidiaries respectively at the end of 2023.

## TOP TEN SHAREHOLDERS AND THEIR SHAREHOLDINGS

Please refer to "Changes in Share Capital and Particulars of Shareholders" of this annual report for details of the top ten shareholders of the Bank and their shareholdings at the end of 2023.

## ISSUANCE OF SHARES

During the reporting period, the Bank did not issue any ordinary shares, convertible bonds or preference shares.

## ISSUANCE OF DEBT SECURITIES

Please refer to "Changes in Share Capital and Particulars of Shareholders – Securities Issuance and Listing" of this annual report for details of the issuance of Tier 2 capital bonds and undated additional Tier 1 capital bonds of the Bank.

## EQUITY-LINKED AGREEMENTS

The Bank made a non-public issuance of domestic preference shares of RMB60 billion in total in the domestic market on 21 December 2017. Apart from the above preference shares, the Bank had not entered into or maintained any other equity-linked agreement by the end of the reporting period.

Pursuant to regulations including the *Capital Rules for Commercial Banks (Provisional)* and the *Administrative Measures for the Pilot Programme for Preference Shares*, a commercial bank shall make provisions on compulsory conversion of preference shares into ordinary shares, under which the commercial bank shall convert the preference shares into ordinary shares as contractually agreed in case of a trigger event. Such a trigger event happens when the Common Equity Tier 1 ratio drops to 5.125% or below, when the regulator determines that the Bank will not be able to survive if the preference shares of the Bank are not converted or written down, or when relevant government authorities determine that the Bank will not be able to survive if there is no capital injection or equivalent support from public sectors. According to the relevant regulations, the Bank has made provisions on trigger events under which preference shares shall be compulsorily converted into ordinary shares. If such trigger events happen to the Bank and all preference shares need to be compulsorily converted into ordinary shares at the initial conversion price, the number of ordinary A-shares that the domestic preference shares are converted into will not exceed 11,538,461,538. During the reporting period, the Bank did not experience any trigger event for which the preference shares need to be compulsorily converted into ordinary shares.

## SHARE CAPITAL AND PUBLIC FLOAT

Up to the publishing of this report, based on public information, the Bank issued 250,010,977,486 ordinary shares in total (including 240,417,319,880 H-shares and 9,593,657,606 A-shares), which complied with the relevant requirements for public float under relevant laws and regulations as well as the listing rules of its listing venues.

## PURCHASE, SALE AND REDEMPTION OF SHARES

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

## PRE-EMPTIVE RIGHTS

The Articles of Association of the Bank does not contain provisions under which the Bank's shareholders have pre-emptive rights. The Articles of Association specifies that if the Bank wishes to increase its capital, it may issue new shares to investors, issue or distribute new shares to existing shareholders, or convert its capital reserve to share capital.

## PROFILES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, AND REMUNERATION POLICY

Please refer to "Corporate Governance Report – Profiles of Directors, Supervisors and Senior Management" of this annual report for the detail of profiles of directors, supervisors and senior management and the remuneration policy.

## INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Bank has received the annual confirmation on independence from each independent non-executive director in compliance with the Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange. The Bank considered that all the independent non-executive directors of the Bank were independent, and their independence complies with the independence guidelines set out in Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange.

In the past year, independent non-executive directors of the Bank duly performed their duties pursuant to various laws and regulations and the Articles of Association of the Bank, promoted the overall improvement of the Bank's operation and management, actively protected the legitimate rights and interests of all shareholders, especially minority shareholders, and further enhanced the transparent and fair information disclosure of the Bank. The Board of the Bank has received self-inspection documents signed by all of its independent non-executive directors on their independence in accordance with the *Management Measures for Independent Directors of Listed Companies* and *No. 1 Self-Disciplinary Regulatory Guidance of Shanghai Stock Exchange*. Upon evaluation, the independent non-executive directors of the Bank held no position other than directors at the Bank, have no relationships with the Bank or the Bank's substantial shareholder that might affect their independent and objective judgment, and have no business and financial interests in the Bank or the Bank's subsidiaries other than the annual allowance obtained, which were in compliance with the relevant requirements on the independence of independent directors prescribed by the above-mentioned regulations. The Board fully acknowledged the independence of the independent non-executive directors of the Bank, and highly appreciated the contributions made by such directors to the Bank.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDER AND OTHER PERSONS

| Name | Type of shares | Number of shares | Nature of rights and interests | % of A-shares issued | % of H-shares issued | % of total ordinary shares issued |
|---|---|---|---|---|---|---|
| Huijin[1] | A-share | 692,581,776 | Long position | 7.22 | – | 0.28 |
| Huijin[2] | H-share | 133,262,144,534 | Long position | – | 59.31 | 57.03 |

1. On 29 December 2015, Huijin declared its interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 692,581,776 A-shares of the Bank, accounting for 7.22% of the A-shares issued (9,593,657,606 shares) and 0.28% of the ordinary shares issued (250,010,977,486 shares). Specifically, 195,941,976 A-shares were directly held by Huijin, and 496,639,800 A-shares were held by Central Huijin Asset Management Ltd., a wholly-owned subsidiary of Huijin. As at 31 December 2023, according to the A-share register of shareholders of the Bank, Huijin directly held 267,392,944 A-shares of the Bank, and Central Huijin Asset Management Ltd. directly held 496,639,800 A-shares of the Bank.
2. On 26 May 2009, Huijin declared its interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 133,262,144,534 H-shares of the Bank, accounting for 59.31% of the H-shares issued at that time (224,689,084,000 shares) and 57.03% the ordinary shares issued at that time (233,689,084,000 shares). As at 31 December 2023, according to the H-share register of shareholders of the Bank, Huijin directly held 142,590,494,651 H-shares of the Bank, accounting for 59.31% of the H-shares issued (240,417,319,880 shares) and 57.03% of the ordinary shares issued (250,010,977,486 shares).

## DIRECTORS’ AND SUPERVISORS’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK OR ITS ASSOCIATED CORPORATIONS

Some of the Bank’s supervisors indirectly held H-shares of the Bank via employee stock incentive plan of the Bank before they assumed their current positions. As at 31 December 2023, Mr. Lin Hong held 15,555 H-shares, and Mr. Liu Jun held 12,447 H-shares; Mr. Wang Yi, the resigned supervisor, held 13,023 H-shares. Save as disclosed above, none of the directors and supervisors of the Bank had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) which have to be notified to the Bank and Hong Kong Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the SFO), or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to Appendix C3 *Model Code for Securities Transactions by Directors of Listed Issuers*, to the Listing Rules of Hong Kong Stock Exchange.

As of 31 December 2023, except for the employee stock incentive plan, the Bank had not granted its directors or supervisors, or their respective spouses or children under the age of 18, any other rights to subscribe for the shares or debentures of the Bank or any of its associated corporations.

## DIRECTORS’ FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS

There are no financial, business, family or other material relationships among the directors of the Bank.

## DIRECTORS’ AND SUPERVISORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS, SERVICE CONTRACTS AND LIABILITY INSURANCE

During the reporting period, no director or supervisor of the Bank or entities connected with the directors or supervisors had any interest, whether directly or indirectly, in any transaction, arrangement or contract of significance in relation to the Group’s business with the Bank or any of its holding companies or subsidiaries or subsidiaries of the Bank’s holding companies, apart from their respective service contracts.

None of the directors and supervisors of the Bank has entered into service contracts with the Bank that cannot be terminated by the Bank within one year without payment of remuneration (other than statutory remuneration).

The Bank effected the liability insurance for all directors and supervisors in 2023.

## DIRECTORS’ AND SUPERVISORS’ INTERESTS IN COMPETING BUSINESSES

Save as disclosed in the biographical details of the directors and supervisors of the Bank, none of the directors or supervisors of the Bank directly or indirectly has any interest that constitutes or may constitute a competing business of the Bank.

REPORT OF THE BOARD OF DIRECTORS

## CORPORATE GOVERNANCE

The Bank established a science-based, standardised and efficient corporate governance system, continuously improved its corporate governance system and mechanism, and consolidated the institutional foundation for corporate governance. Please refer to the "Corporate Governance Report" of this annual report for details of corporate governance practice adopted by the Bank and its compliance with the Corporate Governance Code.

## AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The 2021 annual general meeting held on 23 June 2022 considered and approved the *Proposal on Amendments to the Articles of Association of China Construction Bank Corporation*. With the authorisation of the general meeting, the Bank further improved the amendments to the Articles of Association in accordance with instructions from the NFRA. On 3 January 2024, the NFRA approved the revised Articles of Association, which became effective upon the date of the approval.

## RELATED PARTY TRANSACTIONS

In 2023, the related party transactions between the Bank and its related parties as defined by the NFRA were all general related party transactions, covering credit granting, asset transfers, services, deposits and others. Except for the transactions that can be exempted from disclosure in the same way for related party transactions as set out in Article 57 of the *Measures for the Administration for Related Party Transactions of Banking and Insurance Institutions*, the amount of related party transactions involving credit granting, related party transactions involving asset transfers, related party transactions of service nature, and related party transactions involving deposits and others was RMB441,851 million, RMB149,889 million, RMB17,018 million, and RMB283,796 million, respectively. At the end of 2023, the maximum credit balance for a single related party, the maximum total credit balance for a group customer of a single affiliated legal person or unincorporated organisation, and the credit balance for all related parties accounted for 2.07%, 2.07%, and 6.85% of the capital after regulatory adjustments, respectively, all of which met the requirements of the *Measures for the Administration for Related Party Transactions of Banking and Insurance Institutions*.

In 2023, the Bank engaged in a series of connected transactions with the connected persons of the Bank as defined by the Listing Rules of Hong Kong Stock Exchange in its ordinary course of business. Such transactions complied with the criteria for exemption under Rule 14A.73 of the Listing Rules of Hong Kong Stock Exchange, and they were fully exempted from the shareholders' approval, annual review and all the disclosure requirements.

Please refer to Note "Related party relationships and transactions" to the financial statements of this annual report for details of the related party transactions as defined by the Listing Rules of Shanghai Stock Exchange and accounting standards.

## SIGNIFICANT INVESTMENTS

As of 31 December 2023, the Group did not have any significant investment as required to be disclosed in accordance with Rule 32(4A) under the Appendix D2 to the Listing Rules of Hong Kong Stock Exchange.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

For details of the Bank's environmental policies and performance, please refer to the "Environmental and Social Responsibilities (Environment, Society and Governance)" of this annual report and the Bank's *Corporate Social Responsibility Report 2023*.

## RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

Employees are the valuable assets to the Bank. The Bank ensures the rights of employees according to laws and regulations and is committed to building a broad development platform for its employees. Furthermore, the Bank constantly safeguards the career development of its employees in terms of remunerations, benefits, training, promotions and other aspects. The Bank attaches great importance to the sound partnership with its suppliers, adheres to the principles of openness, fairness, impartiality and integrity, and treats suppliers as equals, in a bid to build a conducive supply ecosystem. Adhering to the "customer-centric" concept, the Bank practises New Finance initiatives and vigorously promotes service function innovation, enabling customers to obtain services anywhere, anytime. The Bank is trying to offer smart, convenient and excellent customer service experience, and meet the financial service demands of its customers. For details of the Bank's relationships with employees, suppliers and customers, please refer to the "Environmental and Social Responsibility (Environment, Society and Governance)" of this annual report and the Bank's *Corporate Social Responsibility Report 2023*.

## INFORMATION DISCLOSURE

In 2023, the Bank strictly abided by relevant laws, regulations and regulatory requirements for information disclosure, strengthened the building of information disclosure systems and mechanisms, developed operating procedures for information disclosure, and comprehensively improved the standardisation and process management of information disclosure. The Bank proactively fulfilled its information disclosure obligations, and provided specialised training sessions on information disclosure, so as to ensure the truthfulness, accuracy, completeness and timeliness of the information disclosure. In addition, it continuously strengthened voluntary information disclosure, comprehensively demonstrated the effects of New Finance initiatives and operation and management, continuously improved the quality and efficiency of information disclosure, and supported the effective operation of corporate governance.

## MANAGEMENT OF INSIDER INFORMATION

The Bank managed inside information strictly in accordance with laws, regulations, regulatory requirements, and rules of the Bank. The Bank formulated the Management Measures on Personnel with Inside Information, and strictly implemented the confidentiality requirements regarding inside information, timely collected the contents of confidential information, standardised information transmission process, controlled the scope of insiders, and prepared and disclosed related information in accordance with laws and regulations. The Bank was not aware of any insider trading of the shares of the Bank by taking the advantage of inside information during the reporting period.

## EVENTS AFTER THE REPORTING PERIOD

On 31 January 2024, the transaction related to equity transfer of CCB Brasil between the Group and BOC was completed. The Group received a consideration of BRL564 million for the transfer of part of its shares in CCB Brasil to BOC, and CCB Brasil received a subscription consideration of BRL540 million for its issuance of new shares to BOC. Upon completion of the transaction, the Group held 31.66% of equity in CCB Brasil, and the operation and management rights of CCB Brasil was transferred to BOC.

On 5 February 2024, the Group completed the issuance of RMB50.00 billion Tier 2 capital bonds, which consisted of two types. Type 1 Tier 2 Capital Bonds, with an issuance size of RMB20.00 billion, have a 10-year term with conditional redemption right by the issuer at the end of the fifth year and a fixed coupon rate of 2.75%, while Type 2 Tier 2 Capital Bonds, with an issuance size of RMB30.00 billion, have a 15-year term with conditional redemption right by the issuer at the end of the tenth year and a fixed coupon rate of 2.82%. On 1 March 2024, the Group completed the issuance of RMB30.00 billion financial bonds, which consisted of two types. Type 1 Financial Bonds, with an issuance size of RMB20.00 billion, have a 3-year term with a fixed coupon rate of 2.35%, while Type 2 Financial Bonds, with an issuance size of RMB10 billion, have a 5-year term with a fixed coupon rate of 2.50%.

On 27 February 2024, the Group realised the option to redeem all the bonds of US$1.85 billion issued in overseas market on 27 February 2019 with an initial coupon rate of 4.25%.

By order of the board of directors
**Zhang Jinliang**
*Chairman*
28 March 2024

# REPORT OF THE BOARD OF SUPERVISORS

In 2023, pursuant to the provisions of laws, regulations, regulatory requirements and the Articles of Association of the Bank, the board of supervisors focused on supervision priorities, operated in a standardised and efficient manner, and earnestly performed its duties. The board of supervisors adhered to a problem-oriented approach, conducted in-depth investigations and research, continuously optimised working mechanism, and enhanced the effectiveness of supervision, so as to boost the Bank's high-quality development.

## PARTICULARS OF MAJOR WORK

**Supervising the proceedings of meetings in a standardised manner.** During the year, the board of supervisors convened four meetings, at which 16 resolutions had been reviewed and deliberated, including the Bank's periodic reports, reports on performance assessment and nomination of supervisors. The performance and due diligence supervision committee held four meetings. The finance and internal control supervision committee held four meetings. The board of supervisors also held five special topic communications with external auditors. The board of supervisors further optimised the proceedings of meetings and operation mechanism, and focused on the Bank's support for the development of the real economy, prevention of financial risks and advancement of the New Finance initiatives. It listened to 24 special reports, including but not limited to the implementation of the FinTech strategy, support for private economy and comprehensive risk management, and reviewed 18 written reports, such as the Group's data governance and rectification of internal audit findings. It conducted in-depth studies and discussions focusing on key areas, and produced opinions and suggestions on deepening strategy implementation, improving management and mechanism, enhancing capabilities for risk prevention and resolution, and promoting high-quality business development, thus giving full play to the efficiency of proceedings of meetings.

**Earnestly carrying out performance and due diligence supervision.** Members of the board of supervisors attended shareholders' general meetings, meetings of the Board and the special committees under the Board and important meetings of senior management, and actively participated in major events of the Bank. The board of supervisors reviewed the meeting papers and documents and agenda arrangements and supervised the compliance with laws and regulations regarding the procedures of meetings, decision-making process and results, and information disclosure, so as to promote standardised and efficient corporate governance. By means of investigation and studies, panel discussions, interviews, and review of information and reports, etc., the board of supervisors gained an in-depth understanding of the operation and management conditions and supervised the implementation of resolutions of the shareholders' general meeting and the Board meetings. Based on actual supervision, the board of supervisors improved its work plan for performance supervision and evaluation, consolidated the basic support for assessment, and sent questionnaires to understand opinions and suggestions of full-time directors on corporate governance and operation and management. Based on special surveys and routine supervision results, the board of supervisors formed assessment opinion of the annual performance of the Board and its members, and senior management and its members, prepared annual self-assessment opinion of the performance of board of supervisors and its members, and reported to the shareholders' general meeting and regulators pursuant to relevant provisions.

**Effectively tightening financial supervision.** The board of supervisors conscientiously and solidly performed its duty in supervising financial statements, attached great importance to the objectiveness, truthfulness and compliance of the contents of statements, strengthened communication with senior management and external auditors about important disclosure items and key audit items and offered corresponding suggestions, and gave independent review opinions on the financial statements according to law. It intensified supervision over standardised financial operation, paid attention to the formulation and implementation of financial policies, and suggested reinforcing the results of financial rectification and improving standardised financial management through digital empowerment. It regularly reviewed business plans, performance assessment and other major financial decisions, and gave suggestions about enhancing the capability to create value, improving cost control and strengthening the support of financial decisions. It intensified supervision over consolidated management and capital management, suggested consolidating the foundation for subsidiary management, and, leveraging the implementation of the new rules on capital management, refined relevant systems and mechanisms, business rules, and information systems. In accordance with relevant laws and regulations, it exercised supervision over matters like connected transactions, information disclosure, fund raising, and major asset acquisition and sales.

**Continuously deepening supervision over risk management.** The board of supervisors strengthened risk analysis, focused on the improvement of risk governance capability, and gave targeted and practicable opinions and suggestions. Aligned with the requirements on preventing and controlling systematic risks, it pushed tighter control over risks in areas like real estate and local debts. Centring on the building of a comprehensive risk management system, it conducted regular supervision over market risk, operational risk and liquidity risk, tracked the implementation of relevant stress tests and the management of reputational risk, and effectively performed its duty in supervising expected credit loss and the classified management of financial asset-related risks, among others. It focused on the implementation of the Group's work plan for preventing and alleviating major financial risks in an integrated way, held special discussions about the impact of and response to the risk events in the European and US banking sectors, and advanced the building of the Group's risk governance mechanism.

**Continuously stepping up supervision over internal control and compliance.** Centring on the completeness and effectiveness of the internal control and compliance management system, the board of supervisors followed up on regulatory inspections and punishments, case prevention and control, and business compliance, further tightened supervision over the operation, development and compliance management of overseas institutions, and drove the improvement of the Group's long-effect mechanism for compliance management. It focused on anti-money laundering and financial sanction management, and gave suggestions like intensifying the R&D and use of new techniques and tools to continuously enhance the capability of overseas institutions in managing money laundering risk. It urged the fundamental and systemic rectification of major problems identified in internal audit or announced by regulators, and pushed the further improvement of internal control management across the Bank.

**Continuously boosting the efficiency of supervision.** The board of supervisors made solid efforts to perform its duty and ran in an orderly manner, with the quality and efficiency of overall operation further improved. It aligned major work with the Bank's efforts to implement the decisions and plans of the CPC Central Committee, focused on serving national construction, preventing financial risks, participating in international competition, continued to advance institutional building, and improved the capability to achieve high-quality development. In consideration of actual operation and management, it conducted in-depth surveys on New Finance, high-quality development of liability businesses and government-related business risk, etc., and offered practicable opinions and suggestions from the perspective of corporate governance and supervision. It further increased collaboration with the Board and senior management, and had full communication with them on major matters. It attached great importance to the synergy with both internal and external supervisory resources, and promoted the improvement of supervision efficiency. All supervisors united as one and performed duty diligently, fully completing the tasks of the board of supervisors.

## INDEPENDENT OPINIONS ON RELEVANT MATTERS OF THE BANK

### Operations in Compliance with Laws and Regulations

During the reporting period, the Bank carried out its operation pursuant to laws and regulations, and the decision-making procedure was in compliance with provisions of laws, regulations and the Bank's Articles of Association. The directors and senior management fulfilled their duties diligently. The board of supervisors was not aware of any of their acts in breach of applicable laws, regulations or the Bank's Articles of Association, or detrimental to the Bank's interests in performance of their duties.

### Financial Reporting

The Bank's financial statements for 2023 truly and fairly reflected the Bank's financial position and operating results.

### Use of Proceeds

During the reporting period, the Bank completed the issuance of RMB60 billion domestic perpetual bonds. The proceeds had all been used to replenish additional tier 1 capital; the Bank completed the issuance of RMB120 billion domestic Tier 2 bonds. The proceeds had all been used to replenish the Bank's Tier 2 capital. The use of proceeds was consistent with the Bank's commitments.

### Acquisition and Sale of Assets

During the reporting period, the board of supervisors was not aware of any insider trading or any acts detrimental to the interests of shareholders or leading to a drain on the Bank's assets in the acquisition or sale of assets.

### Related Party Transactions

During the reporting period, the board of supervisors was not aware of any related party transactions that were detrimental to the interests of the Bank.

### Internal Control

During the reporting period, the Bank continuously strengthened and refined its internal control. The board of supervisors had no objection to the Internal Control Assessment Report 2023.

### Performance of Social Responsibilities

During the reporting period, the Bank performed its social responsibilities earnestly. The board of supervisors had no objection to the Social Responsibility Report 2023.

### Implementation of Information Disclosure Management System

During the reporting period, the Bank earnestly implemented the information disclosure management rules, fulfilled its information disclosure obligations, and the board of supervisors was not aware of any violations of laws or regulations in information disclosure.

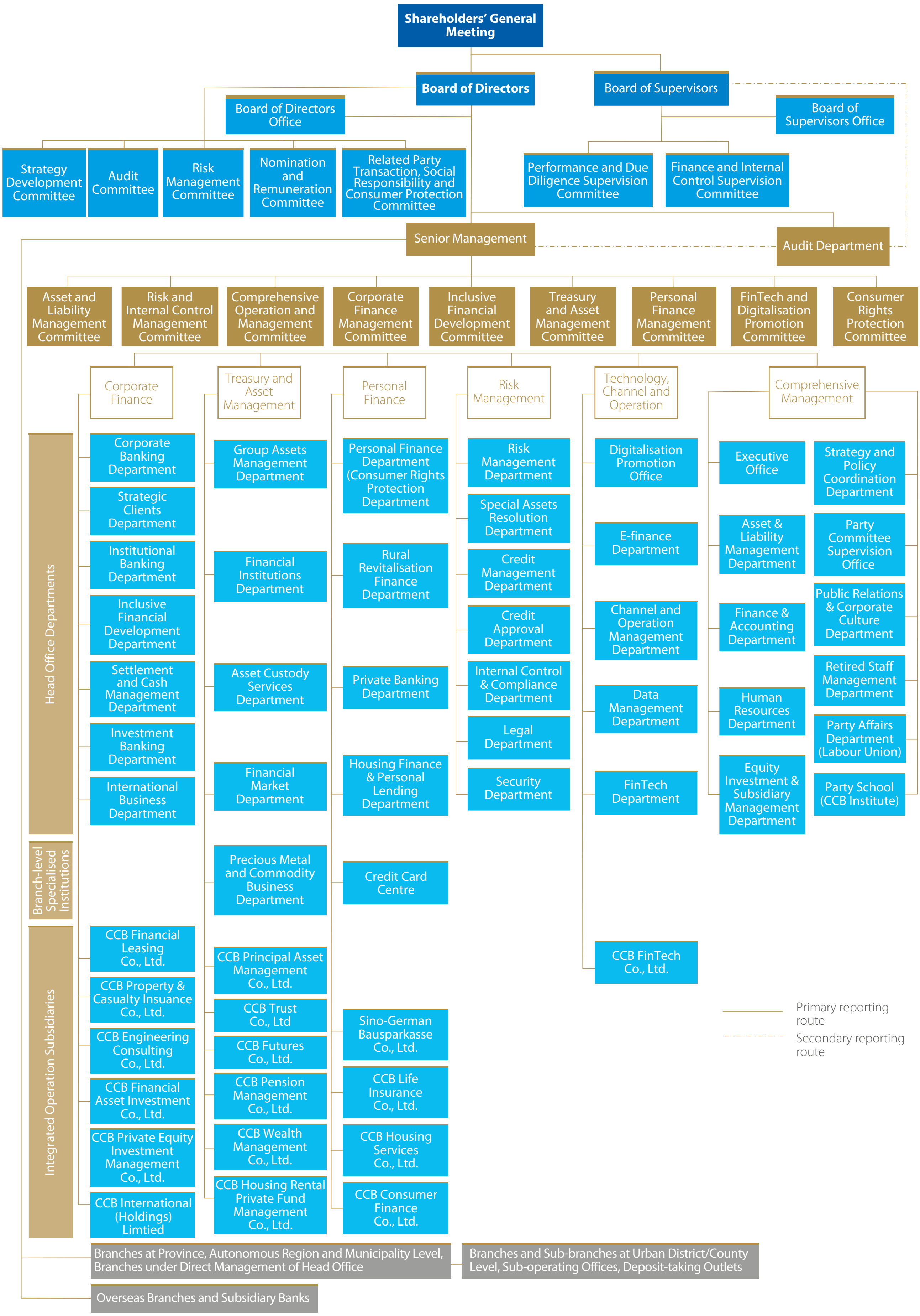
### Assessment of the Performance of Directors, Supervisors and Senior Management

All directors, supervisors and senior management who participated in the performance assessment for the year 2023 had been evaluated as qualified.

Save as disclosed above, the board of supervisors had no objection to other supervision matters during the reporting period.

Board of Supervisors
28 March 2024

# ORGANISATIONAL STRUCTURE



# BRANCHES AND SUBSIDIARIES

## TIER-ONE BRANCHES IN THE CHINESE MAINLAND

| Branches | Address | Telephone | Facsimile |
|---|---|---|---|
| Anhui Branch | No. 2358, Yungu Road, Hefei<br>Postcode: 230001 | 0551-62874100 | 0551-62872014 |
| Beijing Branch | Entry.4, Building 28, Xuanwumen West Street, Beijing<br>Postcode: 100053 | 010-63603682 | 010-63603656 |
| Chongqing Branch | No. 123, Minzu Road, Yuzhong District, Chongqing<br>Postcode: 400010 | 023-63771855 | 023-63771835 |
| Dalian Branch | No. 1, Jiefang Street, Zhongshan District, Dalian<br>Postcode: 116001 | 0411-88066666 | 0411-82804560 |
| Fujian Branch | No. 298, Jiangbin Middle Avenue, Taijiang District, Fuzhou<br>Postcode: 350009 | 0591-87838467 | 0591-87856865 |
| Gansu Branch | No. 77, Qin'an Road, Lanzhou<br>Postcode: 730030 | 0931-4891555 | 0931-4891862 |
| Guangdong Branch | No. 509, Dongfengzhong Road, Guangzhou<br>Postcode: 510045 | 020-83018888 | 020-83013950 |
| Guangxi Branch | No. 90, Minzu Avenue, Nanning<br>Postcode: 530022 | 0771-5513110 | 0771-5513012 |
| Guizhou Branch | No. 148, North Zhonghua Road, Guiyang<br>Postcode: 550001 | 0851-86696000 | 0851-86696371 |
| Hainan Branch | CCB Plaza, No. 8, Guomao Road, Haikou<br>Postcode: 570125 | 0898-68587268 | 0898-68587569 |
| Hebei Branch | No. 40, Ziqiang Road, Shijiazhuang<br>Postcode: 050000 | 0311-88601010 | 0311-88601001 |
| Henan Branch | No. 80, Huayuan Road, Zhengzhou<br>Postcode: 450003 | 0371-65556677 | 0371-65556688 |
| Heilongjiang Branch | No. 67, Hongjun Street, Nan'gang District, Harbin<br>Postcode: 150001 | 0451-58683642 | 0451-53625552 |
| Hubei Branch | No. 709, Jianshe Street, Wuhan<br>Postcode: 430015 | 027-85486656 | 027-65775881 |
| Hunan Branch | No. 2, Baisha Road, Changsha<br>Postcode: 410005 | 0731-84419910 | 0731-84419141 |
| Jilin Branch | No. 810, Xi'an Road, Changchun<br>Postcode: 130061 | 0431-80835310 | 0431-88988748 |
| Jiangsu Branch | No. 188, Hongwu Road, Nanjing<br>Postcode: 210002 | 025-84200545 | 025-84209316 |
| Jiangxi Branch | No. 366, Bayi Street, Nanchang<br>Postcode: 330006 | 0791-86848200 | 0791-86848318 |
| Liaoning Branch | No. 40, Naner Road, Heping District, Shenyang<br>Postcode: 110002 | 024-22787600 | 024-22857427 |
| Inner Mongolia Branch | No. 6, Daxue East Street, Saihan District, Huhhot<br>Postcode: 010010 | 0471-4593703 | 0471-4593890 |
| Ningbo Branch | No. 255, Baohua Street, Ningbo<br>Postcode: 315040 | 0574-87328212 | 0574-87325019 |
| Ningxia Branch | No. 98, Nanxun West Street, Xingqing District, Yinchuan<br>Postcode: 750001 | 0951-4126085 | 0951-4106165 |
| Qingdao Branch | No. 222, Shenzhen Road, Laoshan District, Qingdao<br>Postcode: 266061 | 0532-68670056 | 0532-82670157 |
| Qinghai Branch | No. 59, West Street, Xining<br>Postcode: 810000 | 0971-8261154 | 0971-8261225 |

## BRANCHES AND SUBSIDIARIES

| Branches | Address | Telephone | Facsimile |
|---|---|---|---|
| Shandong Branch | No. 168, North Long'ao Road, Jinan<br>Postcode: 250099 | 0531-82088734 | 0531-86169108 |
| Shaanxi Branch | No. 38, South Guangji Street, Xi'an<br>Postcode: 710002 | 029-87606007 | 029-87606014 |
| Shanxi Branch | No. 126, Yingze Street, Taiyuan<br>Postcode: 030001 | 0351-4957800 | 0351-4957278 |
| Shanghai Branch | No. 900, Lujiazui Ring Road, Shanghai<br>Postcode: 200120 | 021-58880000 | 021-58781818 |
| Shenzhen Branch | No. 8, Pengcheng 1st Road, Futian District, Shenzhen<br>Postcode: 518038 | 0755-81686666 | 0755-81683333 |
| Sichuan Branch | Sichuan CCB Building, No. 86, Tidu Street, Chengdu<br>Postcode: 610016 | 028-86767161 | 028-86767187 |
| Suzhou Branch | No. 18, Suzhou Avenue West, Suzhou Industrial Park, Suzhou<br>Postcode: 215021 | 0512-62788786 | 0512-62788783 |
| Tianjin Branch | Plus 1 No. 19, Nanjing Road, Hexi District, Tianjin<br>Postcode: 300203 | 022-58751166 | 022-58751811 |
| Tibet Branch | No. 21, Beijing West Road, Lhasa<br>Postcode: 850000 | 0891-6838792 | 0891-6834852 |
| Xiamen Branch | No. 98, Lujiang Road, Xiamen<br>Postcode: 361001 | 0592-2158668 | 0592-2158862 |
| Xinjiang Branch | No. 99, Minzhu Road, Urumqi<br>Postcode: 830002 | 0991-2848666 | 0991-2819160 |
| Yunnan Branch | CCB Plaza, Jinbi Road, Kunming<br>Postcode: 650021 | 0871-63060333 | 0871-63060333 |
| Zhejiang Branch | No. 33, Jiefang East Road, Hangzhou<br>Postcode: 310016 | 0571-85313263 | 0571-85313001 |

# BRANCHES AND SUBSIDIARIES

## OVERSEAS BRANCHES

| | |
|---|---|
| **Astana Branch** | 26th Floor, Talan Towers, 16 Dostyk street, Esil district, Astana City, The Republic of Kazakhstan |
| | Telephone: 007-7172738888 |
| | Facsimile: 007-7172736666 |
| **Macau Branch** | 5th Floor, Circle Square, 61 Avenida de Almeida Ribeiro, Macau |
| | Telephone: 00853-82911880 |
| | Facsimile: 00853-82911804 |
| **DIFC Branch** | 31th Floor, Tower 2, Al Fattan Currency House, DIFC, P.O. Box: 128220, Dubai, UAE |
| | Telephone: 00971-4-5674888 |
| | Facsimile: 00971-4-5674777 |
| **Tokyo Branch** | 17F/1F, West Tower, Otemachi First Square, 5-1, Otemachi 1-chome Chiyoda-ku, Tokyo 100-0004, Japan |
| | Telephone: 0081-3-52935218 |
| | Facsimile: 0081-3-32145157 |
| ***Osaka Branch*** | *1/F, Itoh Building, 3-6-14 Minamihonmachi, Chuo-ku, Osaka-shi, Osaka, 541-0054, Japan* |
| | *Telephone: 0081-6-61209080* |
| | *Facsimile: 0081-6-62439080* |
| **Toronto Branch** | 181 Bay Street, Suite 3650, Toronto ON, Canada, M5J 2T3 |
| | Telephone: 001-647-7777700 |
| | Facsimile: 001-647-7777739 |
| **Frankfurt Branch** | Bockenheimer Landstrasse 75,60325 Frankfurt am Main, Germany |
| | Telephone: 0049-69-9714950 |
| | Facsimile: 0049-69-97149588, 97149577 |
| **Ho Chi Minh City Branch** | 11th Floor Sailing Tower, 111A Pasteur Street, District 1, Ho Chi Minh City, Vietnam |
| | Telephone: 0084-28-38295533 |
| | Facsimile: 0084-28-38275533 |
| **Luxembourg Branch** | 1 Boulevard Royal, L-2449 Luxembourg, Luxembourg |
| | Telephone: 00352-28668800 |
| | Facsimile: 00352-28668801 |
| **London Branch** | 111 Old Broad Street, London, EC2N 1AP, U.K. |
| | Telephone: 0044-20-70386000 |
| | Facsimile: 0044-20-70386001 |
| **Labuan Branch** | Level 13(E), Main Office Tower, Financial Park, Jalan Merdeka Labuan, Malaysia |
| | Telephone: 0060-87-582018 |
| | Facsimile: 0060-87-451188 |
| **Kuantan Banking Business Department** | Administrative Building, Kawasan Industri Malaysia-China Kuantan (MCKIP), Jalan Gebeng By Pass, Kuantan, Pahang Darul Makmur, Malaysia |
| | Telephone: 0060-87-582018 |
| | Facsimile: 0060-87-582028 |
| **New York Branch** | 33rd Floor, 1095 Avenue of the Americas, New York, USA NY 10036 |
| | Telephone: 001-646-7812400 |
| | Facsimile: 001-212-2078288 |
| **Seoul Branch** | China Construction Bank Tower, 24 Myeongdong 11-gil, Jung-gu, Seoul 04538, Korea |
| | Telephone: 0082-2-67303600 |
| | Facsimile: 0082-2-67303601 |
| **Zurich Branch** | Beethovenstrasse 33, 8002 Zurich, Switzerland |
| | Telephone: 0041-43-5558800 |
| | Facsimile: 0041-43-5558898 |
| **Taipei Branch** | 1/F, No. 108, Sec.5, Xinyi Road, Xinyi Dist., Taipei 11047, Taiwan |
| | Telephone: 00886-2-87298088 |
| | Facsimile: 00886-2-27236633 |

## BRANCHES AND SUBSIDIARIES

| | |
|---|---|
| **Sydney Branch** | Level 31, 88 Phillip Street, Sydney, NSW 2000, Australia<br>Telephone: 0061-2-80316100<br>Facsimile: 0061-2-92522779 |
| ***Brisbane Branch*** | *Level 9, 123 Eagle Street, Brisbane, QLD 4000, Australia*<br>*Telephone: 0061-7-30691900*<br>*Facsimile: 0061-2-92522779* |
| ***Melbourne Branch*** | *Level 40, 525 Collins Street, Melbourne, VIC 3000, Australia*<br>*Telephone: 0061-3-94528500*<br>*Facsimile: 0061-2-92522779* |
| ***Perth Branch*** | *Level 9, 32 St Georges Terrace, Perth, WA 6000, Australia*<br>*Telephone: 0061-8-62463300*<br>*Facsimile: 0061-2-92522779* |
| **Hong Kong Branch** | 28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong<br>Telephone: 00852-39186939<br>Facsimile: 00852-39186001 |
| **Singapore Branch** | 9 Raffles Place, #39-01/02, Republic Plaza, Singapore 048619<br>Telephone: 0065-65358133<br>Facsimile: 0065-65356533 |
| **New Zealand Branch** | Level 29, Vero Centre, 48 Shortland Street, Auckland 1010, New Zealand<br>Telephone: 0064-9-3388200<br>Facsimile: 0064-9-3744275 |
| **Johannesburg Branch** | 95 Grayston Drive, Morningside, Sandton, South Africa 2196<br>Telephone: 0027-11-5209400<br>Facsimile: 0027-11-5209411 |
| ***Cape Town Branch*** | *15th Floor, Portside Building, 4 Bree Street, Cape Town, South Africa*<br>*Telephone: 0027-21-4432660*<br>*Facsimile: 0027-21-4433671* |
| **Chile Branch** | Isidora Goyenechea 2800, 30th Floor, Santiago, Chile<br>Postcode: 7550000<br>Telephone: 0056-2-27289100 |

# BRANCHES AND SUBSIDIARIES

## SUBSIDIARIES

| | |
|---|---|
| **CCB Property & Casualty Insurance Co., Ltd.** | Floor 6, 7, 11, 12, 13 and 16, China Children Welfare Tower, 16 Wangjiayuan Hutong, Dongcheng District, Beijing<br>Postcode: 100027<br>Telephone: 010-85098000<br>Facsimile: 010-85098007<br>Website: www.ccbpi.com.cn |
| **CCB Private Equity Investment Management Co., Ltd.** | Room 1106, South Building of No. 35 Tower, 35 Jinshifang Street, Xicheng District, Beijing<br>Postcode: 100033<br>Telephone: 010-58527200<br>Facsimile: 010-58527209 |
| **CCB Principal Asset Management Co., Ltd.** | 16/F, Winland International Finance Centre, No. 7, Financial Street, Xicheng District, Beijing<br>Postcode: 100033<br>Telephone: 010-66228888<br>Facsimile: 010-66228889<br>Website: www.ccbfund.cn |
| **CCB FinTech Co., Ltd.** | Floor 12 and 15, 99 Yincheng Road, China (Shanghai) Pilot Free Trade Zone<br>Postcode: 200120<br>Telephone: 021-60633500<br>Facsimile: 021-60633500<br>Website: www.ccbft.com |
| **CCB Financial Asset Investment Co., Ltd.** | Unit 1601-01, 16/F, No. 9A Financial Street, Xicheng District, Beijing<br>Postcode: 100033<br>Telephone: 010-67590600<br>Facsimile: 010-67590601 |
| **CCB Financial Leasing Co., Ltd.** | 6/F, Chang'an Xingrong Centre, Block 4, No. 1, Naoshikou Street, Xicheng District, Beijing<br>Postcode: 100031<br>Telephone: 010-67594013<br>Facsimile: 010-66275808<br>Website: www.ccbleasing.com |
| **CCB Wealth Management Co., Ltd.** | 89-92/F, Shenzhen Ping An Financial Centre, No. 5033, Yitian Road, Futian District, Shenzhen<br>Postcode: 518000<br>Telephone: 0755-88338101<br>Facsimile: 0755-88338085 |
| **CCB Futures Co., Ltd.** | 5/F, No. 99 (CCB Shanghai Tower), Yincheng Road, Pudong New District, Shanghai<br>Postcode: 200120<br>Telephone: 021-60635551<br>Facsimile: 021-60635520<br>Website: www.ccbfutures.com |
| **CCB Life Insurance Co., Ltd.** | 29/F-33F, CCB Tower, No. 99, Yincheng Road, Pudong New District, Shanghai<br>Postcode: 200120<br>Telephone: 021-60638288<br>Facsimile: 021-60638204<br>Website: www.ccb-life.com.cn |
| **CCB Consumer Finance Co., Ltd.** | Block 6, No. 33 Xitucheng Road, Haidian District, Beijing<br>Postcode: 100088<br>Telephone: 010-59302100<br>Website: www.ccbcf.cn |
| **CCB Trust Co., Ltd.** | 10/F, Chang'an Xingrong Centre, Block 4, No. 1, Naoshikou Street, Xicheng District, Beijing<br>Postcode: 100031<br>Telephone: 010-67596584<br>Facsimile: 010-67596590<br>Website: www.ccbtrust.com.cn |
| **CCB Pension Management Co., Ltd.** | 11/F, A Section, Zhizhen Building, 7 Zhichun Road, Haidian District, Beijing<br>Postcode: 100191<br>Telephone: 010-56731294<br>Facsimile: 010-56731203<br>Website: www.ccbpension.com |
| **CCB Housing Services Co., Ltd.** | 15/F, Tower C, Financial Street Centre, No. 9 Financial Street, Xicheng District, Beijing<br>Postcode: 100140<br>Telephone: 010-86622713<br>Facsimile: 010-86622713 |

## BRANCHES AND SUBSIDIARIES

| | |
|---|---|
| **CCB Housing Rental Private Fund Management Co., Ltd.** | 8/F, Block 4, No. 1, Naoshikou Street, Xicheng District, Beijing<br>Postcode: 100031<br>Telephone: 010-83778868<br>Facsimile: 010-83778800 |
| **CCB Engineering Consulting Co., Ltd.** | 7/F, No. 2 Building, No. 2A North Xisanhuan Road, Haidian District, Beijing<br>Postcode: 100081<br>Telephone: 010-60910300<br>Facsimile: 010-88512310<br>Website: www.ccbconsulting.com |
| **CCB International (Holdings) Limited** | 12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong<br>Telephone: 00852-39118000<br>Facsimile: 00852-25301496<br>Website: www.ccbintl.com.hk |
| **Sino-German Bausparkasse Co., Ltd.** | No. 19, Guizhou Road, Heping District, Tianjin<br>Postcode: 300051<br>Telephone: 022-58086699<br>Facsimile: 022-58086808<br>Website: www.sgb.cn |
| **China Construction Bank (Brasil) Banco Múltiplo S/A** | Avenida Brigadeiro Faria Lima, 4440, 2 and 5F, Itaim Bibi – São Paulo – SP- 04538-132<br>Telephone: 0055-11-21739000<br>Facsimile: 0055-11-21739101 |
| **China Construction Bank (Russia) Limited** | Lubyanskiy proezd, 11/1, building 1, 101000 Moscow, Russia<br>Telephone: 007-495-6759800-140<br>Facsimile: 007-495-6759810 |
| **China Construction Bank (London) Limited** | 111 Old Broad Street, London, EC2N 1AP, U.K.<br>Telephone: 0044-20-70386000<br>Facsimile: 0044-20-70386001 |
| **China Construction Bank (Malaysia) Berhad** | Level 20, MenaraCCB, Quill6, No. 6, Leboh Ampang, Kuala Lumpur, Malaysia<br>Postcode: 50100<br>Telephone: 0060-321601888<br>Facsimile: 0060-327121819 |
| ***Penang Branch*** | *Unit 4.03, Menara, Boustead Penang, No. 39, Jalan Sultan Ahmad Shah, Pulau Pinang, Malaysia*<br>*Postcode: 10050*<br>*Telephone: 0060-326303308*<br>*Facsimile: 0060-326303308* |
| **China Construction Bank (Europe) S.A.** | 1 Boulevard Royal, L-2449 Luxembourg, Luxembourg<br>Telephone: 00352-28668800<br>Facsimile: 00352-28668801 |
| ***Amsterdam Branch*** | *Claude Debussylaan 32, 1082MD Amsterdam, the Netherlands*<br>*Telephone: 0031-0-205047899*<br>*Facsimile: 0031-0-205047898* |
| ***Paris Branch*** | *86-88 bd Haussmann,75008, Paris, France*<br>*Telephone: 0033-155309999*<br>*Facsimile: 0033-155309998* |
| ***Barcelona Branch*** | *Avenida Diagonal, 640 5a planta D, 08017, Barcelona, Spain*<br>*Telephone: 0034-935225000*<br>*Facsimile: 0034-935225078* |
| ***Warsaw Branch*** | *Warsaw Financial Centre, ul. Emilii Plater 53, 00-113 Warsaw, Poland*<br>*Telephone: 0048-22-1666666*<br>*Facsimile: 0048-22-1666600* |
| ***Milan Branch*** | *Via Mike Bongiorno 13, 20124 Milan, Italy*<br>*Telephone: 0039-02-32163000*<br>*Facsimile: 0039-02-32163092* |
| ***Hungary Branch*** | *Szabadság tér 7, 1054 Budapest, Hungary*<br>*Telephone: 0036-1-3366888*<br>*Facsimile: 0036-1-3366801* |

## BRANCHES AND SUBSIDIARIES

| | |
|---|---|
| **China Construction Bank (New Zealand) Limited** | Level 29, Vero Centre, 48 Shortland Street, Auckland 1010, New Zealand<br>Telephone: 0064-9-3388200<br>Facsimile: 0064-9-3744275 |
| **China Construction Bank (Asia) Corporation Limited** | 28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong<br>Telephone: 00852-39186939<br>Facsimile: 00852-39186001<br>Website: www.asia.ccb.com |
| **PT Bank China Construction Bank Indonesia Tbk** | Sahid Sudirman Centre 15th Floor, Jl. Jend. Sudirman Kav. 86, Jakarta<br>Postcode: 10220<br>Telephone: 0062-2150821000<br>Facsimile: 0062-2150821010<br>Website: www.idn.ccb.com |

# APPENDIX I: INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## CONTENTS

# INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of China Construction Bank Corporation**
*(Established in the People's Republic of China with limited liability)*

## OPINION

We have audited the consolidated financial statements of China Construction Bank Corporation (the "Bank") and its subsidiaries (the "Group") set out on pages 227 to 365, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and relevant notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

## KEY AUDIT MATTERS (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Expected credit losses for loans and advances to customers measured at amortised cost</td><td></td></tr>
<tr><td>
The Group determines and measures expected credit losses for loans and advances to customers measured at amortised cost, in accordance with IFRS 9 Financial Instruments. Significant judgments and assumptions are involved in the measurement of expected credit losses, for example:
<ul>
<li>Significant increase in credit risk - Criteria for determining whether significant increase in credit risk has occurred are highly judgmental, and may have a significant impact on expected credit losses for loans and advances to customers measured at amortised cost with longer outstanding maturities;</li>
<li>Models and parameters - Complex models, numerous inputs and parameters, including probability of default, loss given default, exposure at default, and risk grouping, are used to measure expected credit losses, involving plenty of management judgments and assumptions;</li>
<li>Forward-looking information – Macroeconomic forecasts are developed, and impacts on expected credit losses are considered for multiple probability-weighted economic scenarios;</li>
<li>Whether financial assets are credit-impaired - The determination of credit impairment requires consideration of multiple factors, and measurement of expected credit losses depends on estimates of future cash flows.</li>
</ul>
As at 31 December 2023, loans and advances to customers measured at amortised cost amounted to RMB22,706,195 million, accounting for 59.25% of total assets. Allowances for impairment losses of such loans and advances totalled RMB778,223 million. As the measurement of expected credit losses involves many significant judgments and assumptions, we consider expected credit losses for loans and advances to customers measured at amortised cost a key audit matter.
Relevant disclosures are included in Note 4(3), Note 4(26)(b), Note 25 and Note 62(1) to the financial statements.
</td><td>
We evaluated and tested the design and operating effectiveness of key controls over credit granting, post approval credit management, loan credit rating system, collateral management as well as management, implementation and monitoring of expected credit losses approach, including relevant data quality and information systems.
We adopted a risk-based sampling approach in our loan review procedures, focusing on loans granted to industries affected by macroeconomic changes and to real estate enterprises with bond defaults and negative news coverage. We assessed the debtors' repayment capacity and evaluated the Group's judgment in rating loans, taking into consideration post-lending inspection reports, debtors' financial information, collateral valuation reports and other available information.
With the support of our modelling specialists, we evaluated and tested the expected credit loss model, key parameters, and management's significant judgments and assumptions, mainly focusing on the following aspects:
(1) Expected credit loss model:
<ul>
<li>Taking into account macroeconomic changes, industry risk factors, and results of validation, reassessment and optimisation of ECL model, we assessed the reasonableness of ECL model methodology and related parameters, including probability of default, loss given default, exposure at default, risk grouping, and whether there had been a significant increase in credit risk;</li>
<li>We assessed the forward-looking information used by management to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions and weightings of multiple macroeconomic scenarios;</li>
<li>We performed back-testing and assessed the reasonableness of management's determination of credit impairment. For credit-impaired loans and advances, we analysed the amount, timing and probability of management's estimated future cash flows, especially recoverable cash flows from collaterals.</li>
</ul>
(2) Design and operating effectiveness of key controls:
<ul>
<li>With the support of our IT audit specialists, we evaluated and tested the data and processes used to determine expected credit losses, including loan business data, internal credit rating data, macroeconomic data, as well as the computational logic, inputs and system interfaces of the impairment assessment system;</li>
<li>We evaluated and tested key controls over the management, implementation and monitoring of expected credit losses approach, including approval of management system, important policies and models, key parameters and their adjustments, ongoing monitoring of model performance, model validation, monitoring and parameter calibration.</li>
</ul>
We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of credit risk exposures and expected credit losses.
</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Consolidation assessment and disclosures of structured entities** | |
| The Group holds interests in many different structured entities as a result of its business activities in asset management and asset securitisation. Such interests in structured entities include wealth management products("WMPs"), asset management plans, trust plans, funds, and asset-backed securities. As at 31 December 2023, the balance of unconsolidated structured entities initiated by the Group totalled RMB4,713,947 million. The Group needs to comprehensively consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns to determine whether it has control over such structured entities, and therefore whether it should include them in the scope of consolidation.<br><br>The assessment of the Group's control over structured entities involves significant judgements on factors such as the purpose and design of structured entities, the Group's ability to direct relevant activities, direct and indirect beneficial interests and returns, performance fees, and benefits received or losses incurred from providing credit enhancement or liquidity support. Comprehensive analysis of these factors and concluding on whether the Group has control involve significant management judgements and estimates. In view of the materiality and the complexity of management judgements, we consider consolidation assessment and disclosures of structured entities a key audit matter.<br><br>*Relevant disclosures are included in Note 4(1), Note 4(26)(f) and Note 28 to the financial statements.* | We evaluated and tested the design and operating effectiveness of key controls over the Group's assessment of whether it controls a structured entity.<br><br>We assessed the Group's analysis and conclusions on whether it controls structured entities based on the Group's analysis on its power over these structured entities, the magnitude and variability of the variable returns from its involvement with structured entities and linkage between these two matters on the basis of comprehensive consideration of all relevant facts and circumstances.<br><br>We analysed whether the Group has legal or constructive obligations to ultimately absorb losses from structured entities through inspection of contractual documents, which included examining, on a sampling basis, whether the Group has provided liquidity support or credit enhancement to structured entities initiated by itself, such as wealth management products.<br><br>We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of unconsolidated structured entities. |
| **Valuation of financial instruments** | |
| The fair values of the Group's financial instruments measured at fair value are determined either by active market quotes or valuation techniques. Valuation techniques are used to determine the fair value of financial instruments that do not have quoted prices in active markets, such as investments in unlisted equity, private fund investments and certain debt investments. These techniques may involve the use of significant unobservable inputs requiring assumptions and estimates based on management's subjective judgements. Valuation results can vary significantly under different valuation techniques or assumptions.<br><br>As at 31 December 2023, the carrying amount of the Group's financial assets measured at fair value totalled RMB3,985,661 million, accounting for 10.40% of total assets. Given the higher uncertainty in valuation results, financial instruments whose fair value measurement involves significant unobservable inputs are categorised as level 3 within the fair value hierarchy. As at 31 December 2023, RMB171,891 million or 4.31% of financial assets measured at fair value were categorised as Level 3. Given the materiality of the balance and the significant judgements involved in fair value measurement of Level 3 financial instruments, we consider valuation of financial instruments a key audit matter.<br><br>*Relevant disclosures are included in Note 4(3), Note 4(26)(c), Note 23, Note 25, Note 26 and Note 62(5) to the consolidated financial statements.* | We evaluated and tested the design and operating effectiveness of key controls over the valuation of financial instruments.<br><br>We selected samples to perform audit procedures and evaluated the appropriateness of valuation techniques, inputs, assumptions and comparable companies adopted by CCB, including comparison with valuation techniques commonly used in the market by industry peers, validation of observable inputs using external market data, and comparison with valuation results calculated using various pricing sources.<br><br>For financial instruments whose valuations were calculated using significant unobservable inputs, as in the case of investments in unlisted equity, private fund investments and certain debt investments, we involved our valuation specialists to assess the valuation model for such financial instruments, performed independent valuations on selected samples and compared the valuation results with those of the Group.<br><br>We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of fair value. |

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Bank 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 of the Bank either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 HKSAs, 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.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We also provide the Audit Committee 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 the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is *Choi Kam Cheong, Geoffrey*.

*Ernst & Young*

Certified Public Accountants

Hong Kong

28 March 2024

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

| | Note | 2023 | 2022 (Restated) |
|---|---|---|---|
| Interest income | | **1,247,366** | 1,170,573 |
| Interest expense | | **(630,133)** | (526,904) |
| **Net interest income** | 6 | **617,233** | 643,669 |
| Fee and commission income | | **129,906** | 130,830 |
| Fee and commission expense | | **(14,160)** | (14,745) |
| **Net fee and commission income** | 7 | **115,746** | 116,085 |
| Net trading gain | 8 | **5,685** | 3,632 |
| Dividend income | 9 | **5,712** | 6,135 |
| Net loss arising from investment securities | 10 | **(222)** | (9,062) |
| Net gain on derecognition of financial assets measured at amortised cost | 11 | **946** | 322 |
| Other operating income/(expense), net: | | | |
| – Other operating income | | **25,223** | 22,800 |
| – Other operating expense | | **(24,708)** | (26,071) |
| **Other operating income/(expense), net** | 12 | **515** | (3,271) |
| **Operating income** | | **745,615** | 757,510 |
| **Operating expenses** | 13 | **(220,152)** | (219,991) |
| | | **525,463** | 537,519 |
| Credit impairment losses | 14 | **(136,774)** | (154,535) |
| Other impairment losses | 15 | **(463)** | (479) |
| **Share of profits of associates and joint ventures** | | **1,151** | 1,194 |
| **Profit before tax** | | **389,377** | 383,699 |
| Income tax expense | 18 | **(56,917)** | (58,836) |
| **Net profit** | | **332,460** | 324,863 |

The notes on pages 235 to 365 form part of these financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

| | Note | 2023 | 2022 (Restated) |
|---|---|---|---|
| **Other comprehensive income:** | | | |
| (1) Other comprehensive income that will not be reclassified to profit or loss | | | |
| Remeasurements of post-employment benefit obligations | | **(54)** | (275) |
| Fair value changes of equity instruments designated as measured at fair value through other comprehensive income | | **153** | (211) |
| Others | | **39** | 33 |
| Subtotal | | **138** | (453) |
| (2) Other comprehensive income that may be reclassified subsequently to profit or loss | | | |
| Fair value changes of debt instruments measured at fair value through other comprehensive income | | **8,256** | (12,096) |
| Allowances for credit losses of debt instruments measured at fair value through other comprehensive income | | **(1,234)** | 3,157 |
| Reclassification adjustments included in profit or loss due to disposals | | **(439)** | 11 |
| Net gain on cash flow hedges | | **201** | 485 |
| Exchange difference on translating foreign operations | | **4,115** | 8,712 |
| Others | | **(6,424)** | (3,114) |
| Subtotal | | **4,475** | (2,845) |
| **Other comprehensive income for the year, net of tax** | | **4,613** | (3,298) |
| **Total comprehensive income for the year** | | **337,073** | 321,565 |
| Net profit attributable to: | | | |
| Equity shareholders of the Bank | | **332,653** | 324,727 |
| Non-controlling interests | | **(193)** | 136 |
| | | **332,460** | 324,863 |
| Total comprehensive income attributable to: | | | |
| Equity shareholders of the Bank | | **339,257** | 322,724 |
| Non-controlling interests | | **(2,184)** | (1,159) |
| | | **337,073** | 321,565 |
| **Basic and diluted earnings per share (in RMB yuan)** | 19 | **1.31** | 1.28 |

The notes on pages 235 to 365 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

| | Note | **31 December 2023** | 31 December 2022 (Restated) |
|---|---|---|---|
| **Assets:** | | | |
| Cash and deposits with central banks | 20 | **3,066,058** | 3,159,296 |
| Deposits with banks and non-bank financial institutions | 21 | **148,218** | 185,423 |
| Precious metals | | **59,429** | 39,119 |
| Placements with banks and non-bank financial institutions | 22 | **675,270** | 509,786 |
| Positive fair value of derivatives | 23 | **43,840** | 49,308 |
| Financial assets held under resale agreements | 24 | **979,498** | 1,040,847 |
| Loans and advances to customers | 25 | **23,083,377** | 20,493,042 |
| Financial investments | 26 | | |
| Financial assets measured at fair value through profit or loss | | **602,303** | 568,097 |
| Financial assets measured at amortised cost | | **6,801,242** | 5,958,397 |
| Financial assets measured at fair value through other comprehensive income | | **2,234,731** | 2,015,818 |
| Long-term equity investments | 27 | **20,983** | 22,700 |
| Fixed assets | 29 | **159,948** | 157,014 |
| Construction in progress | 30 | **7,423** | 9,971 |
| Land use rights | 31 | **12,911** | 13,225 |
| Intangible assets | 32 | **6,540** | 6,496 |
| Goodwill | 33 | **2,456** | 2,256 |
| Deferred tax assets | 34 | **121,227** | 113,081 |
| Other assets | 35 | **299,372** | 256,835 |
| **Total assets** | | **38,324,826** | 34,600,711 |
| **Liabilities:** | | | |
| Borrowings from central banks | 37 | **1,155,634** | 774,779 |
| Deposits from banks and non-bank financial institutions | 38 | **2,792,066** | 2,584,271 |
| Placements from banks and non-bank financial institutions | 39 | **407,722** | 365,760 |
| Financial liabilities measured at fair value through profit or loss | 40 | **252,179** | 289,100 |
| Negative fair value of derivatives | 23 | **41,868** | 46,747 |
| Financial assets sold under repurchase agreements | 41 | **234,578** | 242,676 |
| Deposits from customers | 42 | **27,654,011** | 25,020,807 |
| Accrued staff costs | 43 | **52,568** | 49,355 |
| Taxes payable | 44 | **73,580** | 84,169 |
| Provisions | 45 | **43,344** | 50,726 |
| Debt securities issued | 46 | **1,895,735** | 1,646,870 |
| Deferred tax liabilities | 34 | **1,724** | 881 |
| Other liabilities | 47 | **547,743** | 568,326 |
| **Total liabilities** | | **35,152,752** | 31,724,467 |

The notes on pages 235 to 365 form part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

| | Note | 31 December 2023 | 31 December 2022 (Restated) |
|---|---|---|---|
| **Equity:** | | | |
| Share capital | 48 | 250,011 | 250,011 |
| Other equity instruments | 49 | | |
| Preference shares | | 59,977 | 59,977 |
| Perpetual bonds | | 139,991 | 79,991 |
| Capital reserve | 50 | 135,619 | 135,653 |
| Other comprehensive income | 51 | 23,981 | 17,403 |
| Surplus reserve | 52 | 369,906 | 337,527 |
| General reserve | 53 | 496,255 | 444,786 |
| Retained earnings | 54 | 1,674,405 | 1,530,102 |
| Total equity attributable to equity shareholders of the Bank | | 3,150,145 | 2,855,450 |
| Non-controlling interests | | 21,929 | 20,794 |
| **Total equity** | | 3,172,074 | 2,876,244 |
| **Total liabilities and equity** | | 38,324,826 | 34,600,711 |

Approved and authorised for issue by the Board of Directors on 28 March 2024.

**Zhang Jinliang**
*Chairman and executive director*

**Kenneth Patrick Chung**
*Independent non-executive director*

**William Coen**
*Independent non-executive director*

The notes on pages 235 to 365 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

| | Attributable to equity shareholders of the Bank | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Other equity instruments | | | | | | | | |
| | Share capital | Preference shares | Perpetual bonds | Capital reserve | Other comprehensive income | Surplus reserve | General reserve | Retained earnings | Non-controlling interests | Total equity |
| **As at 31 December 2022** | 250,011 | 59,977 | 79,991 | 135,653 | 20,793 | 337,527 | 444,786 | 1,527,995 | 22,027 | 2,878,760 |
| Change in accounting policy (Note 3) | – | – | – | – | (3,390) | – | – | 2,107 | (1,233) | (2,516) |
| **As at 1 January 2023** | 250,011 | 59,977 | 79,991 | 135,653 | 17,403 | 337,527 | 444,786 | 1,530,102 | 20,794 | 2,876,244 |
| **Movements during the year** | – | – | 60,000 | (34) | 6,578 | 32,379 | 51,469 | 144,303 | 1,135 | 295,830 |
| **(1) Total comprehensive income for the year** | – | – | – | – | 6,604 | – | – | 332,653 | (2,184) | 337,073 |
| **(2) Changes in share capital** | | | | | | | | | | |
| i Capital injection/(deduction) by other equity instruments holder | – | – | 60,000 | (13) | – | – | – | – | 1,999 | 61,986 |
| ii Establishment of subsidiaries | – | – | – | – | – | – | – | – | 1,429 | 1,429 |
| iii Acquisition of subsidiaries | – | – | – | – | – | – | – | – | 92 | 92 |
| **(3) Profit distribution** | | | | | | | | | | |
| i Appropriation to surplus reserve | – | – | – | – | – | 32,379 | – | (32,379) | – | – |
| ii Appropriation to general reserve | – | – | – | – | – | – | 53,633 | (53,633) | – | – |
| iii Dividends to ordinary shareholders | – | – | – | – | – | – | – | (97,254) | – | (97,254) |
| iv Dividends to other equity instruments holders | – | – | – | – | – | – | – | (5,110) | – | (5,110) |
| v Dividends to non-controlling interests holders | – | – | – | – | – | – | – | – | (201) | (201) |
| **(4) Internal transfer within owner's equity** | | | | | | | | | | |
| i Other comprehensive income transferred to retained earnings | – | – | – | – | (26) | – | – | 26 | – | – |
| **(5) Others** | – | – | – | (21) | – | – | (2,164) | – | – | (2,185) |
| **As at 31 December 2023** | 250,011 | 59,977 | 139,991 | 135,619 | 23,981 | 369,906 | 496,255 | 1,674,405 | 21,929 | 3,172,074 |

The notes on pages 235 to 365 form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

| | Attributable to equity shareholders of the Bank | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Other equity instruments | | | | | | | | |
| | Share capital | Preference shares | Perpetual bonds | Capital reserve | Other comprehensive income | Surplus reserve | General reserve | Retained earnings | Non-controlling interests | Total equity |
| **As at 31 December 2021** | 250,011 | 59,977 | 39,991 | 134,925 | 21,338 | 305,571 | 381,621 | 1,394,797 | 25,891 | 2,614,122 |
| Change in accounting policy (Note 3) | – | – | – | – | (1,932) | – | – | 1,241 | (665) | (1,356) |
| **As at 1 January 2022** | 250,011 | 59,977 | 39,991 | 134,925 | 19,406 | 305,571 | 381,621 | 1,396,038 | 25,226 | 2,612,766 |
| **Movements during the year** | – | – | 40,000 | 728 | (2,003) | 31,956 | 63,165 | 134,064 | (4,432) | 263,478 |
| **(1) Total comprehensive income for the year** | – | – | – | – | (2,003) | – | – | 324,727 | (1,159) | 321,565 |
| **(2) Changes in share capital** | | | | | | | | | | |
| i Capital injection/(deduction) by other equity instruments holder | – | – | 40,000 | (9) | – | – | – | – | (3,335) | 36,656 |
| ii Acquisition of subsidiaries | – | – | – | – | – | – | – | – | 32 | 32 |
| iii Change in shareholdings in subsidiaries | – | – | – | 737 | – | – | – | – | 462 | 1,199 |
| **(3) Profit distribution** | | | | | | | | | | |
| i Appropriation to surplus reserve | – | – | – | – | – | 31,956 | – | (31,956) | – | – |
| ii Appropriation to general reserve | – | – | – | – | – | – | 63,165 | (63,165) | – | – |
| iii Dividends to ordinary shareholders | – | – | – | – | – | – | – | (91,004) | – | (91,004) |
| iv Dividends to other equity instruments holders | – | – | – | – | – | – | – | (4,538) | – | (4,538) |
| v Dividends to non-controlling interests holders | – | – | – | – | – | – | – | – | (432) | (432) |
| **As at 31 December 2022 (Restated)** | 250,011 | 59,977 | 79,991 | 135,653 | 17,403 | 337,527 | 444,786 | 1,530,102 | 20,794 | 2,876,244 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

| | Note | 2023 | 2022 (Restated) |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Profit before tax | | **389,377** | 383,699 |
| *Adjustments for:* | | | |
| – Credit impairment losses | 14 | **136,774** | 154,535 |
| – Other impairment losses | 15 | **463** | 479 |
| – Depreciation and amortisation | | **29,081** | 28,482 |
| – Interest income from impaired financial assets | | **(5,491)** | (5,021) |
| – Revaluation loss on financial instruments measured at fair value through profit or loss | | **3,615** | 12,422 |
| – Share of profits of associates and joint ventures | | **(1,151)** | (1,194) |
| – Dividend income | 9 | **(5,712)** | (6,135) |
| – Unrealised foreign exchange (gain)/loss | | **(278)** | 2,869 |
| – Interest expense on bonds issued | | **26,394** | 23,981 |
| – Interest income from investment securities and net income from disposal | | **(277,869)** | (247,003) |
| – Net gain on disposal of fixed assets and other long-term assets | | **(299)** | (251) |
| | | **294,904** | 346,863 |
| *Changes in operating assets:* | | | |
| Net increase in deposits with central banks and with banks and non-bank financial institutions | | **(111,364)** | (152,657) |
| Net increase in placements with banks and non-bank financial institutions | | **(136,228)** | (175,859) |
| Net decrease/(increase) in financial assets held under resale agreements | | **61,463** | (490,627) |
| Net increase in loans and advances to customers | | **(2,704,137)** | (2,371,221) |
| Net decrease/(increase) in financial assets held for trading purposes | | **12,956** | (17,420) |
| Net (increase)/decrease in other operating assets | | **(83,767)** | 63,684 |
| | | **(2,961,077)** | (3,144,100) |
| *Changes in operating liabilities:* | | | |
| Net increase in borrowings from central banks | | **376,760** | 86,362 |
| Net increase in deposits from customers and from banks and non-bank financial institutions | | **2,774,550** | 3,155,433 |
| Net increase in placements from banks and non-bank financial institutions | | **34,091** | 41,405 |
| Net (decrease)/increase in financial liabilities measured at fair value through profit or loss | | **(37,045)** | 71,010 |
| Net (decrease)/increase in financial assets sold under repurchase agreements | | **(9,008)** | 207,137 |
| Net increase in certificates of deposit issued | | **211,835** | 213,154 |
| Income tax paid | | **(76,965)** | (79,283) |
| Net increase in other operating liabilities | | **34,805** | 80,438 |
| | | **3,309,023** | 3,775,656 |
| **Net cash from operating activities** | | **642,850** | 978,419 |

The notes on pages 235 to 365 form part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

| | Note | **2023** | 2022 (Restated) |
|---|---|---|---|
| **Cash flows from investing activities:** | | | |
| Proceeds from sales and redemption of financial investments | | **1,923,430** | 1,795,566 |
| Interest and dividends received | | **268,039** | 251,007 |
| Proceeds from disposal of fixed assets and other long-term assets | | **4,312** | 3,743 |
| Purchase of investment securities | | **(2,990,814)** | (2,674,813) |
| Acquisition of subsidiaries, associates and joint ventures | | **(1,128)** | (3,420) |
| Purchase of fixed assets and other long-term assets | | **(25,093)** | (23,751) |
| **Net cash used in investing activities** | | **(821,254)** | (651,668) |
| **Cash flows from financing activities:** | | | |
| Issue of bonds | | **148,642** | 145,495 |
| Proceeds from issuance of other equity instruments | | **59,987** | 39,991 |
| Cash received from subsidiaries' capital injection by non-controlling interests holders | | **3,428** | – |
| Dividends paid | | **(102,565)** | (95,855) |
| Repayment of borrowings | | **(122,748)** | (62,388) |
| Interest paid on bonds issued | | **(26,113)** | (22,369) |
| Cash payment for redemption of other equity instruments held by non-controlling interests | | **–** | (3,335) |
| Cash payment for other financing activities | | **(7,958)** | (7,964) |
| **Net cash used in financing activities** | | **(47,327)** | (6,425) |
| **Effect of exchange rate changes on cash and cash equivalents** | | **7,542** | 17,726 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(218,189)** | 338,052 |
| **Cash and cash equivalents as at 1 January** | 55 | **1,143,652** | 805,600 |
| **Cash and cash equivalents as at 31 December** | 55 | **925,463** | 1,143,652 |
| **Cash flows from operating activities include:** | | | |
| Interest received, excluding interest income from investment securities | | **954,466** | 900,690 |
| Interest paid, excluding interest expense on bonds issued | | **(560,213)** | (445,991) |

The notes on pages 235 to 365 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 1 Company information

The history of China Construction Bank Corporation (the "Bank") dates back to 1954, which was previously known as the People's Construction Bank of China when it was established. It was responsible for the management and distribution of government funds for construction and infrastructure related projects under the state economic plan. The People's Construction Bank of China gradually evolved into a comprehensive commercial bank following the takeover of the Bank's function of granting policy loans by China Development Bank in 1994. In 1996, the People's Construction Bank of China changed its name to China Construction Bank ("the former CCB"). On 17 September 2004, China Construction Bank Corporation was established in the People's Republic of China (the "PRC") as a result of a separation procedure undertaken by its predecessor, China Construction Bank. In October 2005 and September 2007, the Bank's H shares and A shares were listed on the Hong Kong Stock Exchange (Stock Code: 939) and the Shanghai Stock Exchange (Stock Code: 601939), successively. As at 31 December 2023, the Bank issued the total ordinary share capital of RMB250,011 million, with a par value of RMB1.00 per share.

The Bank obtained its finance permit No.B0004H111000001 from the China Banking Regulatory Commission ("CBRC") (In 2023, the regulator was renamed the National Administration of Financial Regulation, hereinafter referred to as the "NFRA") of the PRC. The Bank obtained its unified social credit code No.911100001000044477 from the Beijing Administration for Industry and Commerce. The registered office of the Bank is located at No.25, Finance Street, Xicheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate finance business, personal finance business, treasury and asset management business and others. The Group mainly operates in the Chinese mainland and also has a number of overseas branches and subsidiaries. For the purpose of these financial statements, the Chinese mainland refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. Overseas refers to countries and regions other than the Chinese mainland.

The Bank is under the supervision of the banking regulators empowered by the State Council of the PRC (the "State Council"). The overseas financial institutions of the Bank are required to comply with the regulatory requirements of their respective local jurisdictions. Central Huijin Investment Ltd. ("Huijin"), a wholly-owned subsidiary of China Investment Corporation ("CIC"), exercises its rights and obligations as an investor in accordance with laws on behalf of the PRC government.

These financial statements were authorised for issue by the Board of Directors of the Bank on 28 March 2024.

## 2 Basis of preparation

The Group uses the calendar year as the accounting year, which is from 1 January to 31 December.

These financial statements comprise the Bank and its subsidiaries and the Group's interests in associates and joint ventures.

### (1) Basis of measurement

These financial statements have been prepared on the historical cost basis except that: (i) financial instruments at fair value through profit or loss are measured at fair value; (ii) derivatives are measured at fair value; (iii) financial assets measured at fair value through other comprehensive income are measured at fair value; (iv) non-current assets or disposal groups held for sale are measured at the lower of carrying amount and fair value less costs to sell; and (v) certain non-financial assets are measured at revalued amount. The measurement basis of major assets and liabilities is further explained in Note 4.

### (2) Functional and presentation currency

These financial statements are presented in RMB, unless otherwise stated, rounded to the nearest million. RMB is the functional currency of the domestic operations of the Group. The functional currencies of overseas operations are determined in accordance with the primary economic environment in which they operate, and are translated into RMB for the preparation of these financial statements according to Note 4(2)(b).

### (3) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from those presented using these estimates and assumptions.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements that have a significant impact on the financial statements and estimates that are very likely to result in material adjustments in the subsequent period are discussed in Note 4(26).

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 3 Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622), and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group has adopted the following new standards and amendments from the current year.

| | | |
|---|---|---|
| (1) | IFRS 17 | *Insurance Contracts* |
| (2) | Amendments to IAS 1 and IFRS Practice Statement 2 | *Disclosure of Accounting Policies* |
| (3) | Amendments to IAS 8 | *Definition of Accounting Estimates* |
| (4) | Amendments to IAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* |
| (5) | Amendments to IAS 12 | *International Tax Reform Pillar Two Model Rule* |

The International Accounting Standards Board issued the IFRS 17 *Insurance Contracts* ("IFRS 17") in 2017. Since 1 January 2023, the Group has implemented IFRS 17.

The Group has implemented new financial instruments standard from 1 January 2018. Under IFRS 17, as at 1 January 2023, the Group reassessed its business models of financial assets held for managing activities related to contracts within the scope of application of IFRS 17 and determined the classification of these financial assets, while also retrospectively adjusting information in the comparative periods. On the basis of the measurement of fulfilment cash flows for insurance contract liabilities linked to certain debt investments measured at amortised cost, the Group reassessed its business models for the above financial assets, and reclassified them as debt investments measured at fair value through other comprehensive income.

The Group has summarized the impact of the implementation of IFRS 17 on main financial indicators of the comparative periods as follows:

| | Before accounting policy change 31 December 2022 | Impact of IFRS 17 implementation | After accounting policy change 31 December 2022 |
|---|---|---|---|
| Financial assets measured at amortised cost | 5,992,582 | (34,185) | 5,958,397 |
| Financial assets measured at fair value through other comprehensive income | 1,979,851 | 35,967 | 2,015,818 |
| Total assets | 34,601,917 | (1,106) | 34,600,811 |
| Total liabilities | 31,723,157 | 1,410 | 31,724,567 |
| Total equity attributable to equity shareholders of the Bank | 2,856,733 | (1,283) | 2,855,450 |
| Non-controlling interests | 22,027 | (1,233) | 20,794 |

| | Before accounting policy change 2022 | Impact of IFRS 17 implementation | After accounting policy change 2022 |
|---|---|---|---|
| Operating income | 758,155 | (645) | 757,510 |
| Operating expenses | (222,314) | 2,323 | (219,991) |
| Net profit | 323,166 | 1,697 | 324,863 |
| Other comprehensive income | (441) | (2,857) | (3,298) |

The amendments to IAS12 introduce a temporary mandatory exemption from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD"). The Pillar Two legislations have been enacted or substantively enacted by 31 December 2023 in certain jurisdictions in which the Group operates, and such legislations will successively become effective from 1 January 2024. The Group has adopted the amendments to IAS12 and the temporary mandatory exemptions.

Except for the matters described above, significant accounting policies adopted by the Group for 2023 financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

## 4 Significant accounting policies and accounting estimates

### (1) Consolidated financial statements

#### *(a) Business combinations*

The consideration transferred by the acquirer for the acquisition and the identifiable assets acquired, 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 assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill in accordance with the accounting policies set out in Note 4(10). If the consideration is less than the fair value of the identifiable net assets of the acquiree in the case of a bargain purchase, the difference is recognised in profit or loss.

Acquisition date mentioned above is the date on which the Group effectively obtains control of the acquiree.

#### *(b) Subsidiaries and non-controlling interests*

Subsidiaries are all entities (including structured entities) over which the Bank has control. The Bank controls an entity when the Bank has the power over the entity, and is exposed to, or has rights to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

For the separate financial statements of the Bank, investments in subsidiaries are accounted for at cost. At initial recognition, investment in subsidiaries is measured at the cost of acquisition determined at the acquisition date when the subsidiaries are acquired through business combination or when the capital is injected into the subsidiaries set up by the Group. Impairment losses on investments in subsidiaries are accounted for in accordance with the accounting policies as set out in Note 4(13).

The financial results and performance of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. When preparing the consolidated financial statements, the Bank makes necessary adjustments on the accounting period and accounting policies of subsidiaries to comply with those of the Bank.

Intragroup balances and transactions, and any profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The portion of a subsidiary's net assets that is attributable to equity interests that are not owned by the Bank, whether directly or indirectly through subsidiaries, is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated statement of financial position within total equity. The portion of net profit or loss and other comprehensive income of subsidiaries for the year attributable to non-controlling interests is separately presented in the consolidated statement of comprehensive income as a component of the Group's net profit and other comprehensive income.

## 4 Significant accounting policies and accounting estimates (continued)

### (1) Consolidated financial statements (continued)

#### *(c) Associates and joint arrangements*

An associate is an enterprise in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policy decisions.

Joint arrangement is an arrangement of which two or more parties have joint control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Investments in associates or joint ventures are accounted for using the equity method in the consolidated financial statements and are initially recorded at acquisition cost, and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associates or joint ventures. The Group's share of the post-acquisition, post-tax results of the associates or joint ventures for the year is recognised in the consolidated statement of comprehensive income. The Group's interest in associates or joint ventures is included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures.

The Group discontinues recognising its share of net losses of the associates or joint ventures after the carrying amount of investments in associates and joint ventures together with any long-term interests that in substance form part of the Group's net investment in the associates or joint ventures are reduced to zero, except to the extent that the Group has incurred legal or constructive obligations to assume additional losses. Where the associates or joint ventures realise net profits subsequently, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

### (2) Translation of foreign currencies

#### *(a) Translation of foreign currency transactions*

Foreign currency transactions are, on initial recognition, translated into the functional currency at the spot exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the transaction dates. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; exchange differences are recognised in profit or loss, except for the differences arising from the translation of equity instruments designated at fair value through other comprehensive income, which are recognised in other comprehensive income.

#### *(b) Translation of financial statements denominated in foreign currencies*

Foreign currency financial statements of overseas operations are translated into RMB for the preparation of consolidated financial statements. At the end of each reporting period, the assets and liabilities in the financial statements denominated in foreign currencies are translated into RMB at the spot exchange rates ruling at that date. All items within equity except for retained earnings are translated at the exchange rates ruling at the dates of the initial transactions. Income and expenses in the statement of comprehensive income are translated at the weighted average exchange rates for the year. Foreign exchange differences arising from foreign operations are recognised in "other comprehensive income" in equity in the statement of financial position. The impact of changes in exchange rates on cash and cash equivalents is presented separately in the cash flow statement.

## 4 Significant accounting policies and accounting estimates (continued)

### (3) Financial instruments

#### *(a) Classification*

The Group classifies financial instruments into different categories based on the business model used to manage financial assets and contractual cash flow characteristics or the purposes for which the liabilities were incurred. The categories are: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income ("FVOCI"), financial assets and liabilities measured at fair value through profit or loss ("FVPL"), and other financial liabilities.

The Group's business model for managing financial assets refers to how the Group manages its financial assets in order to generate cash flows. That is, the business model determines whether cash flows of financial assets managed by the Group will result from collecting contractual cash flows, selling financial assets or both. Factors considered by the Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the performance of those assets is evaluated and reported to key management personnel, how risks are assessed and managed and how managers of the business are compensated.

The characteristics of the contractual cash flows of financial assets refer to the cash flow attributes agreed in the contract of financial instruments that reflect the economic characteristics of the underlying financial assets, that is, the contractual cash flows generated by the underlying financial assets on a specific date solely payments of principal and interest on the principal amount outstanding. The principal is the fair value of the financial asset at initial recognition, but its 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.

*Financial assets measured at amortised cost*

Financial assets are classified as financial assets measured at amortised cost if both of the following conditions are met and they are not designated as FVPL: (i) the assets are managed within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets measured at FVOCI include debt instruments measured at FVOCI and equity instrument designated as measured at FVOCI.

Financial assets are classified as financial assets measured at FVOCI if both of the following conditions are met and they are not designated as FVPL: (i) the assets are managed within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets; and (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At inception, the Group may designate non-trading equity instruments as financial assets measured at FVOCI, and recognise dividend income in accordance with the relevant policies specified in Note 4(20)(c). Once the designation is made, it cannot be revoked.

*Financial assets and liabilities measured at fair value through profit or loss (FVPL)*

The Group classifies the financial assets other than financial assets measured at amortised cost and FVOCI as financial assets measured at FVPL.

Financial assets measured at FVPL include those held for trading purposes, those designated as measured at FVPL, those could not pass the solely payments of principal and interest ("SPPI") test and the equity investments which are not designated as measured at FVOCI.

Financial liabilities measured at FVPL include negative fair value of derivatives, and those designated as measured at FVPL.

Financial assets or financial liabilities are classified as held for trading if they are: (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (ii) 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 (iii) a derivative (except for a derivative that is a designated and effective hedging instruments or a financial guarantee contract).

At initial recognition, the Group may designate financial assets as financial assets measured at FVPL if the designation can eliminate or significantly reduce accounting mismatch. Once the designation is made, it cannot be revoked.

## 4 Significant accounting policies and accounting estimates (continued)

### (3) Financial instruments (continued)

#### *(a) Classification (continued)*

*Financial assets and liabilities measured at fair value through profit or loss (FVPL) (continued)*

Financial liabilities are designated as measured at FVPL upon initial recognition when: (i) the designation can eliminate or significantly reduce accounting mismatch; or (ii) the formal written file of the Group's risk management or investment strategy have clearly stated that the financial liability portfolio, or the portfolio of financial assets and financial liabilities, are managed, evaluated and reported to key management personnel on the basis of fair value. Once the designation is made, it cannot be revoked.

*Other financial liabilities*

Other financial liabilities are financial liabilities other than those measured at FVPL and mainly comprise borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

#### *(b) Derivatives and hedge accounting*

The Group uses derivatives to hedge its exposure to foreign exchange and interest rate risks. Derivatives are recognised at fair value at the trade date upon initial recognition, and subsequently measured at fair value. The positive fair value is recognised as an asset while the negative fair value is recognised as a liability.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualified 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 that are intended to provide effective economic hedges of specific interest rate and foreign exchange risks, but not qualified for hedge accounting, changes in fair value of these derivatives are recognised in the consolidated statement of comprehensive income.

The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Group assesses the hedge effectiveness both at hedge inception and on an ongoing basis.

*(i) Fair value hedge*

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

Changes in fair value of hedging instruments qualifying as fair value hedges are recorded in profit or loss, together with changes in fair value of the hedged item attributable to the hedged risk. The net difference is recognised as ineffectiveness in profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. If the hedged item is de-recognised, the unamortised carrying value adjustment is recognised immediately in the profit or loss.

*(ii) Cash flow hedge*

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with 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 ultimately affect the profit or loss.

For cash flow hedges, the effective portion of the change in the fair value of the hedging instrument is recognised in other comprehensive income. The ineffective portion of the change in the fair value of the hedging instrument is recognised directly in profit or loss.

The cumulative gains or losses in other comprehensive income are reclassified to profit or loss in the same periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or the hedge designation is revoked or when a hedge no longer meets the criteria for hedge accounting, if the hedged future cash flows are still expected to occur, the amount previously recognized in other comprehensive income shall remain until the forecast transaction ultimately occurs or until the hedged expected cash flows affect profit or loss, before being transferred out. If the hedged future cash flows are no longer expected to occur, the amount of accumulated cash flow hedge reserves shall be reclassified from other comprehensive income to profit or loss.

## 4 Significant accounting policies and accounting estimates (continued)

### (3) Financial instruments (continued)

#### *(c) Embedded derivatives*

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host. If a hybrid contract contains a host that is a financial asset, the embedded derivative shall not be separated from the host and shall be classified and measured as a whole.

If a hybrid contract contains a host that is not a financial asset, an embedded derivative shall be separated from the host and accounted for as a derivative if, and only if: (i) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid contract is not measured at FVPL. The Group could choose to measure the separated derivative at FVPL, or designate the entire hybrid contract as at FVPL.

#### *(d) Recognition and derecognition*

All financial assets and financial liabilities are recognised in the statement of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the contractual rights to receive the cash flows of the financial asset have been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset; or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the transferred financial asset, but has given up control of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement meets all the conditions of transfer of cash flows and transfers substantially all the risks and rewards of ownership of the financial asset or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the transferred financial assets, but has given up control of the financial asset.

When a financial asset is derecognised, the difference between the carrying amount of the financial asset derecognised and the consideration received, as well as the cumulative changes in fair value previously recognised in equity, is recognised in profit or loss.

When a financial asset is transferred, and if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The financial liability is derecognised only when: (i) the underlying present obligation specified in the contracts is discharged, cancelled or expired, or (ii) an agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

A regular way purchase or sale of financial assets is recognised and derecognised using trade date accounting. A 'regular way purchase or sale' refers to the purchase or sale of a financial asset where the terms of the contract necessitate delivery of the asset within the time frame typically established by regulations or convention in the relevant marketplace. The trade date is the date that the Group commits itself to purchase or sell a financial asset.

## 4 Significant accounting policies and accounting estimates (continued)

### (3) Financial instruments (continued)

#### *(e) Measurement*

Financial instruments are measured initially at fair value plus or minus, in the case of a financial instrument not measured at FVPL, transaction costs that are directly attributable to the acquisition or issue of the instrument. Transaction costs for financial instruments measured at FVPL are expensed immediately.

Subsequent to initial recognition, the Group measures different categories of financial assets at amortised cost, FVOCI or FVPL respectively. Financial liabilities other than those measured at FVPL are measured at amortised cost using the effective interest method.

*Financial assets measured at FVPL*

Gains and losses from changes in fair value of financial assets measured at FVPL are recognised in profit or loss.

*Financial liabilities measured at FVPL*

Financial liabilities measured at FVPL are measured at fair value, where the gains or losses arose are recognised in profit or loss. For the financial liabilities designated as measured at FVPL, the gains or losses are accounted for in accordance with the following requirements: (i) the amount of changes in fair value of the financial liabilities arising from changes in the Group's own credit risk should be included in other comprehensive income; (ii) other changes in fair value of the financial liabilities are recognised in profit or loss. If the treatment of the impact of changes in the financial liabilities' own credit risk will create or enlarge the accounting mismatch in profit or loss in accordance with (i), the Group shall recognise the entire gain or loss of the financial liabilities (including the amount of the impact of changes in its own credit risk) in profit or loss. When the financial liabilities designated as measured at FVPL is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to retained earnings.

*Financial assets measured at FVOCI*

The impairment losses, foreign exchange gains or losses and interest income calculated using effective interest method of financial assets measured at FVOCI are recognised in profit or loss. Other changes of carrying amount are recognised in other comprehensive income.

When the debt instruments measured at FVOCI are sold, gains or losses on disposal are recognised in profit or loss. Gains or losses on disposal include reclassification to profit or loss from other comprehensive income. For equity investments designated as measured at FVOCI, once the designation is made, changes in fair value are recognised in other comprehensive income and are not subsequently reclassified to profit or loss (the changes in fair value are recognised in retained earnings on disposal). Dividends, when representing a return on such investments, continue to be recognised in profit or loss when the Group's right to receive payments is established.

*Financial assets measured at amortised cost*

The amortised cost of a financial asset should be measured at the amount initially recognised after the following adjustments: (i) deducting the repaid principal; (ii) adding or subtracting the cumulative amortisation using the effective interest method of any difference between that amount initially recognised and the maturity amount; (iii) the loss provision for the accumulated accrual.

For financial assets measured at amortised cost, a gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired, or amortised.

*Effective interest rate*

The effective interest rate is the rate that exactly discount estimated future cash payments or receipts through the expected life of the financial asset to the carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance). The calculation does not consider expected credit losses but includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate.

The Group determines interest income based on the gross carrying amount of financial assets multiplied by the effective interest rate, except (i) for purchased or originated credit impaired financial assets, the interest income shall be determined by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition; (ii) for financial assets that are not purchased or originated credit impaired financial assets but subsequently have become credit impaired financial assets, the interest income shall be determined by applying the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods. If the financial instrument is no longer credit-impaired due to the improvement of its credit risk in the subsequent period, and this improvement can be objectively related to an event that occurs after the application of the above provisions, interest income should be recalculated using the effective interest rate multiplied by the gross carrying amount of the financial assets.

# 4 Significant accounting policies and accounting estimates (continued)

## (3) Financial instruments (continued)

### *(e) Measurement (continued)*

*Effective interest rate (continued)*

Credit-adjusted effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts 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. When calculating the credit-adjusted effective interest rate, an entity shall estimate the expected cash flows by considering all contractual terms of the financial asset (for example, prepayment, extension, call and similar options) and initial expected credit losses.

### *(f) Impairment*

At the end of the reporting period, the Group performs impairment assessment and recognises loss provisions based on expected credit loss on debt instruments measured at amortised cost and FVOCI, as well as loan commitments and financial guarantee contracts.

The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable in accordance with the contract and all cash flows expected to be received discounted at the original effective interest rate by the Group, that is, the present value of all cash shortages. Among them, credit-impaired financial assets that have been purchased or originated by the Group shall be discounted according to the credit-adjusted effective interest rate of the financial assets.

The Group's method of measuring expected credit losses of financial instruments reflects the following elements: (i) an unbiased and probability-weighted average amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; (iii) the reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

At the end of each reporting period, the Group measures the expected credit losses ("ECL") of financial instruments at different stages and recognises its loss provision and its changes in the following cases: the financial instrument is in Stage 1 if the credit risk of the financial instrument has not increased significantly since the initial recognition, and the Group measures its loss provision based on the amount of expected credit loss of the financial instrument in the next 12 months; the financial instrument is in Stage 2 if the credit risk of the financial instrument has increased significantly since the initial recognition but are not yet credit-impaired and the Group measures its loss provision based on the amount of lifetime expected credit loss of the financial instrument; the financial instrument is in Stage 3 if the financial instrument has been credit impaired, and the Group measures its loss provision based on the amount of lifetime expected credit loss of the financial instrument. Regardless of whether the Group's assessment of credit losses is based on a single financial instrument or a combination of financial instruments, the increase or reversal of the loss provision resulting therefrom should be included in profit or loss as an impairment loss or gain.

For debt instruments measured at FVOCI, the Group recognises the allowance of impairment in other comprehensive income and impairment losses or gains in profit or loss, which should not change the book value of the financial assets set out in the statement of financial position.

For loss provision measured at the amount equivalent to the lifetime expected credit loss of the financial instrument previously, if, at the end of the current reporting period, the financial instrument is no longer having significant increase in credit risk since the initial recognition, the Group measures its loss provision based on the amount of its expected credit losses for the next 12 months, and recognises the resulting reversal of the loss provision as an impairment gain in profit or loss.

For financial assets that have been considered as purchased or originated credit impaired, the Group only recognises cumulative changes in lifetime expected credit losses after initial recognition at the end of the reporting period as loss provision. At the end of each reporting period, the Group recognises the amount of the change in lifetime expected credit losses as an impairment loss or gain in profit or loss.

### *(g) Write-offs*

When the Group determines that a loan has no reasonable prospect of recovery after the Group has completed all the necessary legal or other 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 through credit impairment losses.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 4 Significant accounting policies and accounting estimates (continued)

### (3) Financial instruments (continued)

#### *(h) Modification of contracts*

If the renegotiation or modification of a contract between the Group and a counterparty does not result in derecognition of the financial assets, but leads to changes in contractual cash flows, the Group recalculates the gross carrying amount of the financial asset and the related gain or loss is recognised in profit or loss. The recalculated gross carrying amount of the financial asset is determined based on the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate. The Group assesses whether a significant increase in credit risk has occurred, by comparing the risk of a default occurring under revised terms as at the end of the reporting period with that as at the date of initial recognition under original terms.

#### *(i) Fair value measurement*

If there is an active market for a financial instrument, then the fair value of that financial instrument is determined based on quoted price from an active market without any deduction for transaction costs that may occur on future sales or disposals. A quoted price is from an active market where price information is readily and regularly available from an exchange, dealer, industry group or pricing service agency and that price information represents actual and regularly occurring orderly transactions.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include the price used by market participants in an orderly transaction, reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The Group selects valuation techniques that are commonly accepted by market participants for pricing the instruments and these techniques have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. Periodically, the Group reviews the valuation techniques and tests them for validity.

#### *(j) Offsets*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis or by realising the asset and settling the liability simultaneously.

#### *(k) Securitisations*

The Group securitises certain loans, which generally involves the sale of these assets to structured entities, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of credit enhancement or subordinated tranches, or other residual interests ("retained interests"). Gains or losses on securitisation are the difference between the carrying amount of the derecognised financial assets and the consideration received (including retained interest) which is recognised in profit or loss.

#### *(l) Financial assets held under resale agreements and financial assets sold under repurchase agreements*

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash paid or received is recognised as financial assets held under resale agreements or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are not recognised. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The differences between the purchase and resale considerations, and that between the sale and repurchase considerations, are amortised over the period of the respective transaction using the effective interest method and are included in interest income and interest expenses respectively.

### (4) Precious metals

Precious metals comprise gold and other precious metals. Precious metals acquired by the Group for trading purposes are initially recognised at fair value at the date of acquisition and subsequently measured at fair value less cost to sell. The changes in fair value less cost to sell are recognised in profit or loss. Precious metals that are not acquired by the Group principally for trading purpose are carried at lower of cost and net realisable value.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 4 Significant accounting policies and accounting estimates (continued)

### (5) Fixed assets and Construction in progress

Fixed assets are assets held by the Group for the conduct of business and are expected to be used for more than one year. Construction in progress is transferred to fixed assets when ready for its intended use.

#### *(a) Cost*

Fixed assets are initially recognised at cost, except for the fixed assets and construction in progress obtained from the former CCB by the Bank which were recognised at the revalued amount as cost on the date of restructuring. The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. The cost of a self-constructed fixed asset comprises those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Where the individual components of an item of fixed assets have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognised as separate fixed assets.

Subsequent costs, including the cost of replacing part of an item of fixed assets, are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. Expenditures relating to ordinary maintenance of fixed assets are recognised in profit or loss as incurred.

The cost of construction in progress is determined based on actual construction expenditures, which include all necessary construction expenses and other related expenses incurred during construction.

#### *(b) Depreciation and impairment*

Depreciation is calculated to write off through profit or loss the cost of items of fixed assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. Impaired fixed assets are depreciated net of accumulated allowance for impairment losses.

The estimated useful lives, net residual value rates and annual depreciation rates of respective fixed assets are as follows:

| Types of assets | Estimated useful lives | Estimated net residual value rates | Annual depreciation rates |
|---|---|---|---|
| Bank premises | 8-50 years | 0%–5% | 1.9%–12.5% |
| Equipment | 2-20 years | 0%–5% | 4.8%–50.0% |
| Aircraft and vessels | 20-25 years | 5% | 3.8%-4.8% |
| Others | 2-20 years | 0%–5% | 4.8%–50.0% |

The Group reviews the estimated useful life and estimated net residual value rates of a fixed asset and the depreciation method applied at least once a financial year.

Impairment losses on fixed assets are accounted for in accordance with the accounting policies as set out in Note 4(13).

#### *(c) Disposal*

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the fixed asset and are recognised in profit or loss on the date of retirement or disposal.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 4 Significant accounting policies and accounting estimates (continued)

### (6) Lease

*Identification of leases*

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

*Assessment of the lease term*

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. If the Group has an option to extend the lease, that is, the Group has the right to extend the lease, and is reasonably certain to exercise that option, the lease term also includes periods covered by an option to extend the lease. If the Group has an option to terminate the lease, that is, the Group has the right to terminate the lease, but is reasonably certain not to exercise that option, the lease term includes periods covered by an option to terminate the lease. The Group reassesses whether it is reasonably certain to exercise an extension option, purchase option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in the circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term.

*As lessee*

The Group recognises lease liabilities and right-of-use assets, except for short-term leases and leases of low-value assets.

*Right-of-use assets*

The right-of-use assets of the Group mainly include bank premises and other equipment.

At the commencement date of the lease, the Group recognises a right-of-use asset. Right-of-use assets are initially measured at cost.The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date of the lease less any lease incentives received; (iii) any initial direct cost incurred; and (iv) an estimate of costs 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 assets 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 liability at the present value of the changed lease payments and adjusts the carrying amount 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 liability at the present value of the lease payments that are not paid at that date. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease.

In calculating the present value of the lease payments, the Group uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss, except those in the costs of the related asset as required. Variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss as incurred, except those in the costs of the related asset as required.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate if either: (i) there is a change in the in-substance fixed lease 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; (iv) there is a change in the assessment of an option to purchase, extend or terminate the underlying asset, assessed in the context of a purchase option.

## 4 Significant accounting policies and accounting estimates (continued)

### (6) Lease (continued)

***As lessee** (continued)*

*Short-term leases and leases of low-value assets*

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 purchase option as a short-term lease; and a lease of the individual underlying asset with low value, when new, as a lease of low-value assets.The Group recognises lease payments on short-term leases and leases of low-value assets in the costs of the related asset or profit or loss on a straight-line basis over the lease term.

*Lease modifications*

Lease modification is a change in the scope of a lease, the consideration or the term for a lease, 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:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by:

(a) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope or term of the lease, and recognising the gain or loss relating to the partial or full termination of the lease in profit or loss; or

(b) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

*Lessee's incremental borrowing rate*

If the interest rate implicit in the lease cannot be readily determined, the Group measures the lease liability at the present value of the lease payments discounted using the lessee's incremental borrowing rate. According to the economic environment, the Group takes the observable interest rate as the reference basis for determining the incremental borrowing rate, then adjusts the observable interest rate based on its own circumstances, underlying assets, lease terms and amounts of lease liabilities to determine the applicable incremental borrowing rate.

***As lessor***

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date. The Group, as an intermediate lessor, classifies the sublease by reference to the right-of-use asset arising from the head lease.

*As lessor of a finance lease*

At the commencement date of the lease, the Group recognises finance lease payments receivable and derecognises finance lease assets. The Group presents lease payments receivable at an amount equal to the net investment in the lease for the initial measurement. The net investment in the lease is the sum of any unguaranteed residual value accruing to the lessor and at the commencement date of the lease the lease payments receivable by a lessor under a finance lease discounted at the interest rate implicit in the lease, including the initial direct costs.

The Group recognises interest income over the lease term, based on a pattern reflecting a constant periodic rate of return on its net investment in the lease. Variable lease payments received by the Group that are not included in the measurement of the net investment in the lease are recognised in profit or loss as incurred.

## 4 Significant accounting policies and accounting estimates (continued)

### (6) Lease (continued)

***As lessor** (continued)*

*As lessor of a finance lease (continued)*

The Group accounts for a modification to a finance lease as a separate lease if both:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a modification to a finance lease that is not accounted for as a separate lease, the Group accounts for the modification as follows:

(a) if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Group accounts for the lease modification as a new lease from the effective date of the modification, and measures the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification; or

(b) if the lease would have been classified as a finance lease had the modification been in effect at the inception date, the Group accounts for the lease modification in accordance with the requirements in Note 4(3) on the contract modifications or re-negotiation.

*As lessor of an operating lease*

Rent income under an operating lease is recognised on a straight-line basis over the lease term, through profit or loss. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

***Sale and leaseback transactions***

*As lessor*

If the transfer of an asset satisfies the requirements to be accounted for as a sale of the asset, the Group, as a lessor, accounts for the purchase of the asset and for the lease applying the accounting requirements set forth; and if the transfer of an asset does not satisfy the requirements to be accounted for as a sale of the asset, the Group, as a lessor, does not recognise the transferred asset and recognises a financial asset equal to the transfer proceeds. The Group accounts for the financial asset applying Note 4(3).

### (7) Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation. Investment properties include land use rights leased out, land use rights held for transfer upon capital appreciation, and buildings leased out.

An investment property is measured initially at cost. If the economic benefits relating to an investment property will probably flow in and the cost can be reliably measured, subsequent costs incurred for the property are included in the cost of the investment property. Otherwise, subsequent costs are recognised in profit or loss as incurred.

The Group adopts the cost model for subsequent measurement of investment properties. Depreciation is calculated using the straight-line method to write off to profit or loss the cost of investment properties, less their estimated residual value, if any, over their estimated useful lives. Impaired investment properties are depreciated net of accumulated impairment losses.

The estimated useful life, estimated net residual value rate and annual depreciation rate of the Group's investment properties are as follows:

| Types of assets | Estimated useful life | Estimated net residual value rate | Annual depreciation rate |
|---|---|---|---|
| Premises | 30-35 years | 3%–5% | 2.8%–3.2% |
| Others | 5-8 years | 0%–3% | 12.5%–19.4% |

The amortisation period of land use rights is shown in Note 4(8).

## 4 Significant accounting policies and accounting estimates (continued)

### (8) Land use rights

Land use rights are initially recognised at cost. The land use rights obtained from the former CCB by the Bank on the date of restructuring were recorded at the revalued amount. The cost of the land use rights is amortised on a straight-line basis over their authorised useful lives, and charged to the profit or loss. Impaired land use rights are amortised net of accumulated allowance for impairment losses.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 4(13).

### (9) Intangible assets

Software and other intangible assets are initially recognised at cost. The cost less estimated residual values, if any, of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to profit or loss. The useful lives of intangible assets are determined based on contracts, legal requirements or the period over which future economic benefits can be realised. Impaired intangible assets are amortised net of accumulated allowance for impairment losses.

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 4(13).

The Group classifies the expenditures on an internal research and development project into expenditure on the research phase and expenditure on the development phase. Expenditure on the research phase is recognised in profit or loss as incurred. Expenditure on the development phase is capitalised only when the Group can demonstrate all of the following: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the intention to complete the intangible asset and use or sell it; (iii) how the intangible asset will generate probable future economic benefits (among other things, the Group can demonstrate 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); (iv) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (v) the ability to measure reliably the expenditure attributable to the intangible asset during the development phase. Expenditure on the development phase which does not meet these above criteria is recognised in profit or loss when incurred.

### (10) Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets. Goodwill is not amortised. Goodwill arising from a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination. The Group performs an impairment test on goodwill at least annually.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable net assets over 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 is recognised immediately in profit or loss.

On disposal of the related CGU or group of CGUs, any attributable amount of goodwill net of allowances for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

Impairment loss on goodwill is accounted for in accordance with the accounting policies as set out in Note 4(13).

### (11) Repossessed assets

To recover impaired loans and advances, the Group may go through court proceedings or have debtors, guarantors or a third person voluntarily hand over the rights of ownership of the assets. Repossessed assets in the form of financial assets are recognised and presented as the appropriate class of financial assets based on the business models and contractual cash flow characteristics, and repossessed assets that are not financial assets are recognised and reported in "other assets" in the balance sheet when the Group intends to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower.

The Group measures repossessed assets in the form of financial assets at fair value upon initial recognition, and records any taxes payable, advance payment for litigation fees, tax arrears and other transaction costs incurred to obtain repossessed assets in profit or loss or into the initial book value, respectively, depending on the type of financial assets. Repossessed assets that are not financial assets are initially recognised at the fair value of the rights given up by creditors, and the Group records any taxes payable, advance payment for litigation fees, tax arrears and other transaction costs incurred to obtain the repossessed assets into the book value of repossessed assets.

Repossessed assets that are not financial assets are recognised at book value less allowances for impairment losses measured in accordance with the accounting policies as set out in Note 4(13).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 4 Significant accounting policies and accounting estimates (continued)

### (12) Non-current assets or disposal groups held for sale

The Group classifies a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. An asset or disposal group is classified as held for sale if the following criteria are simultaneously met: it must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups and the sale must be highly probable, i.e., the Group has passed a resolution on a plan to sell the asset or disposal group and obtained a firm purchase commitment with the sale expected to be completed within one year. (The Group has obtained approval from relevant authority or regulators where relevant regulations require such approval before the sale can be made.) If the Group loses control over the subsidiary due to the sale of its investments in the subsidiary, when the criteria are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale, it shall classify its investments in the subsidiary as held for sale in the standalone financial statements, and all assets and liabilities of that subsidiary as held for sale in the consolidated financial statements.

The Group shall recognise an impairment loss for any initial or subsequent write-down of non-current asset or disposal group held for sale (except financial assets, deferred tax assets, etc.) to fair value less costs to sell and record it in profit or loss of the current period and recognise an impairment provision for held for sale asset or disposal group. Non-current asset or disposal group held for sale are not subject to depreciation or amortisation and are not accounted for using the equity method.

### (13) Allowances for impairment losses on assets

The Group determines the impairment of long-term equity investments and non-financial assets such as fixed assets, construction in progress, right-of-use assets and intangible assets, using the following methods:

The Group assesses at the end of the reporting period whether there is any indication that assets may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired and it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the CGU to which the asset belongs.

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets.

The recoverable amount of an asset (or CGU, group of CGUs) is the higher of its fair value less costs of disposal and the present value of the expected future cash flows. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

#### *(a) Impairment test for CGU containing goodwill*

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the combination.

A CGU or group of CGUs to which goodwill has been allocated is tested for impairment by the Group at least annually, or whenever there is an indication that the CGU or group of CGUs are impaired, by comparing the carrying amount of the CGU or group of CGUs, including the goodwill, with the recoverable amount of the CGU or group of CGUs. At the time of impairment testing of a CGU or group of CGUs to which goodwill has been allocated, there may be an indication of an impairment of an asset within the CGU or group of CGUs containing the goodwill. In such circumstances, the Group tests the asset for impairment first, and recognises any impairment loss for that asset before testing for impairment on the CGU or group of CGUs containing the goodwill. Similarly, there may be an indication of an impairment of a CGU within a group of CGUs containing the goodwill. In such circumstances, the Group tests the CGU for impairment first, and recognises any impairment loss for that CGU, before testing for impairment the group of CGUs to which the goodwill is allocated.

#### *(b) Impairment loss*

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to profit or loss.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or group of CGUs, pro rata on the basis of the carrying amount of each asset.

## 4 Significant accounting policies and accounting estimates (continued)

### (13) Allowances for impairment losses on assets (continued)

#### *(c) Reversing an impairment loss*

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversed.

### (14) Employee benefits

Employee benefits are all forms of consideration given and compensations incurred by the Group in exchange for services rendered by employees or the termination of the employment relationship. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in cost of relevant assets or the expenses in profit or loss. Where payment or settlement is deferred and the effect of discount would be material, these amounts are stated at their present values in the statement of financial position.

#### *(a) Post-employment benefits*

The Group divides post-employment benefit plans into defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance for the employees during the reporting period, while defined benefit plans are mainly supplementary retirement benefits.

*Defined contribution retirement schemes*

Pursuant to the relevant laws and regulations in the PRC, employees in the Chinese mainland have joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the local government organisations. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

*Annuity contributions*

In addition to the statutory provision contributions, the Bank's employees have joined the annuity scheme set up by the Bank under "CCBC Annuity Scheme" (the "scheme") in accordance with state enterprise annuity regulations. The Bank has made annuity contributions in proportion to its employees' gross wages, which are expensed in profit or loss when the contributions are made.

*Supplementary retirement benefits*

The Group pays supplementary retirement benefits for its employees in the Chinese mainland who retired on or before 31 December 2003 in addition to the contributions made to statutory insurance schemes. Such supplementary retirement benefits are defined benefit plans.

The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of obligations that the Group is committed to pay to the employees after their retirement using actuarial techniques. At the end of each reporting period, such obligations are discounted with interest yield of government bonds with similar duration. The service cost and net interest from the supplementary retirement benefits are recognised in profit or loss, and the remeasurements are recognised in other comprehensive income.

The liability recognised in the statement of financial position in respect of supplementary retirement benefits is the present value of supplementary retirement benefit obligations at the end of the reporting period less the fair value of plan assets.

#### *(b) Termination benefits*

Where the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision is recognised for the compensation arising from termination of employment relationship, through profit or loss. The Group is required to recognise termination benefits at the earlier of when it can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs.

## 4 Significant accounting policies and accounting estimates (continued)

### (14) Employee benefits (continued)

#### *(c) Early retirement expenses*

The Group recognises the present value of all its liabilities to employees who voluntarily agreed to retire early. The early retirement benefit payments are made by the Group from the date of early retirement to the regulated retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss as incurred.

#### *(d) Staff incentive plan*

As approved by the Board of Directors, for the purposes of providing incentives and rewards to eligible employees for their past services, the Group awards a specified amount of staff compensation to the staff incentive plan independently managed by a designated staff committee for those eligible participating employees. The Group recognises its contribution to the plan when it has a present legal or constructive obligation to make such payment and a reliable estimate of the obligation can be made.

### (15) Insurance contracts

The Group identifies portfolios of insurance contracts as contracts subject to similar risks and are managed together. The Group further divides portfolios of insurance contracts into groups of insurance contracts and uses groups of insurance contracts as units of account. The Group's approaches for insurance contract measurement include the general measurement model, the special measurement approach ("variable fee approach") for groups of insurance contracts with direct participation features, and the simplified approach ("premium allocation approach").

*General measurement model*

The Group measures insurance contract liabilities on the initial recognition of a group of insurance contracts at the total of fulfilment cash flows and contractual service margin.

On initial recognition of a group of insurance contracts, the Group measures the total of: the fulfilment cash flows; the cash flows related to asset for insurance acquisition cash flows, and any other asset or liability derecognised at that date; cash flows arising from the contracts in the group at that date. If the total represents a net cash inflow, the Group recognises that as a contractual service margin; if it represents a net cash outflow, the Group recognises that as a loss in profit or loss of the period.

The insurance contract liability is subsequently measured by the Group at the end of the reporting period at the total of the liability for remaining coverage and the liability for incurred claims.

For insurance contracts without direct participation features, the carrying amount of the contractual service margin of a group of contracts at the end of the reporting period are determined as the carrying amount at the start of the period after required adjustments.

The Group rationally determines the coverage units of the group of contracts in each period of the coverage period based on the pattern of provision of insurance contract services, and recognises insurance revenue accordingly over the current and future periods by amortizing the adjusted carrying amount of the contractual service margin.

*Variable fee approach*

The Group adopts the variable fee approach for insurance contracts with direct participation features. The Group estimates the fulfilment cash flows of the groups of insurance contracts with direct participation features at the difference between the fair value of the underlying items and the variable fee. For insurance contracts with direct participation features, the carrying amount of the contractual service margin of a group of contracts at the end of the reporting period equals the carrying amount at the start of the reporting period after required adjustments. For the group of insurance contracts with direct participation features for which the Group holds the underlying items, the Group makes the accounting policy choice of disaggregating insurance finance income or expenses for the period between profit or loss and other comprehensive income.

*Premium allocation approach*

For insurance contracts meeting criteria, the Group may simplify the measurement of a group of insurance contracts adopting the premium allocation approach ("PAA"). Adopting the premium allocation approach, on initial recognition, the carrying amount of the liability for remaining coverage is the premiums received, minus any insurance acquisition cash flows at that date, and minus (or plus) any amount arising from the derecognition at that date of any asset for insurance acquisition cash flows and any other related asset or liability. At the end of the reporting period, the carrying amount of the liability for remaining coverage is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows in the period, plus any amounts relating to the amortisation of insurance acquisition cash flows recognised as insurance service expenses and any adjustment to a financing component in the period, minus the amount recognised as insurance revenue for services provided in that period, and minus any investment component paid or transferred to the liability for incurred claims in the period.

## 4 Significant accounting policies and accounting estimates (continued)

### (16) Provisions and contingent liabilities

A provision is recognised in the statement of financial position if, as the result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or non-occurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

### (17) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument issued is an equity instrument if, and only if, both conditions (i) and (ii) below are met: (i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group; and (ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

### (18) Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of guarantee fees, and the best estimate of the loss provisions required to settle the guarantee. Any increase in the liability relating to guarantees is recognised in profit or loss.

The impairment allowance of loan commitments provided by the Group is measured by ECL. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the ECL on the undrawn commitment component from those on the loan component, the ECL on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined allowance for ECL exceed the gross carrying amount of the loan, the ECL are recognised as a provision.

### (19) Fiduciary and custody business

Asset custody business refers to a fee-based business of the Group, as an independent third party, enters into custody contracts with trustors, managers, or trustees in accordance with laws and regulations, maintains entrusted assets in accordance with the contracts, discharges rights and obligations as agreed in the custody contracts, provides custody services, and charges fiduciary and custody fees. The Group fulfills its fiduciary obligations and collects relevant fees in accordance with these contracts, and does not take up any risks and rewards related to the assets under custody, which are recorded as off-balance sheet items.

The Group conducts entrusted lending business, whereby it enters into entrusted loan agreements with customers. Under the terms of these agreements, the customers provide funding (the "entrusted funds") to the Group, and the Group grants loans (the "entrusted loans") to third parties according to the instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no allowance for impairment losses are made for these entrusted loans.

## 4 Significant accounting policies and accounting estimates (continued)

### (20) Revenue recognition

#### *(a) Interest income*

Interest income for debt instruments measured at amortised cost and fair value through other comprehensive income is recognised in profit or loss based on effective interest method. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-earning instrument and its amount at maturity calculated on an effective interest basis. The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period.

#### *(b) Fee and commission income*

Fee and commission income is recognised when the performance obligation is satisfied. 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.

#### *(c) Dividend income*

Dividend income from equity investments is recognised in profit or loss on the date when the Group's right to receive payment is established.

### (21) Income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods. Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax losses and unused tax credits can be utilised.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that they relate to items recognised in equity, in which case the relevant amounts of tax are recognised in equity, respectively.

At the end of each reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

### (22) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

### (23) Profit distribution

Proposed dividends which are declared and approved after the end of each reporting period are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each reporting period in the note to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

## 4 Significant accounting policies and accounting estimates (continued)

### (24) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. The Group's related parties include but are not limited to the following:

(a) the Bank's parents;

(b) the Bank's subsidiaries;

(c) other entities which are controlled by the Bank's parents;

(d) an investor who has joint control over the Group;

(e) an investor who can exercise significant influence over the Group;

(f) an associate of the Group;

(g) a joint venture of the Group;

(h) principal individual investors of the Group, and close family members of such individuals (principal individual investors are the individual investors who have the power, directly or indirectly, to control, jointly control or exercise significant influence over another party);

(i) key management personnel of the Group and close family members of such individuals (key management personnel represent those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity);

(j) key management personnel of the Bank's parents and close family members of such individuals;

(k) other entities that are controlled or jointly controlled by the Group's principal individual investors, key management personnel, or close family members of such individuals;

(l) a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group; and

(m) joint ventures and their subsidiaries, or associates and their subsidiaries, of other member units (including parent companies and subsidiaries) of the Bank's corporate group, joint ventures and their subsidiaries, or associates and their subsidiaries, of companies that exercise joint control over the Bank, joint ventures and their subsidiaries of the companies that have a significant influence on the Bank, subsidiaries of joint ventures, and subsidiaries of associates.

### (25) Operating segments

The identification of operating segments of the Group is on the basis of internal reports that are regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the segment and assess its performance. On the basis of the operating segments, the Group identifies the reportable segments, using a combination of factors including products and services, geographical areas, regulatory environments, which management has chosen for organisation. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

The amount reported for each operating segment item is the measure reported to the chief operating decision makers for the purposes of allocating resources to the segment and assessing its performance. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

# 4 Significant accounting policies and accounting estimates (continued)

## (26) Significant accounting estimates and judgements

### (a) *Classification of financial assets*

The Group's significant judgments in determining the classification of financial assets include the analysis of business models and contractual cash flow characteristics.

The Group determines the business model for the management of financial assets at the level of portfolios and considers the factors such as how the asset's performance is evaluated and reported to key management personnel, the risks affecting the performance of financial assets and the way in which financial assets are managed, and how managers of the business are compensated.

In assessing whether the contractual cash flows of financial assets are consistent with the basic lending arrangement, the Group uses the following key judgements: whether the principals may change because of the changes of time distribution or amount over the life due to reasons such as prepayment; whether the interest includes only the consideration for the time value of money, for credit risk, for other basic lending risks and costs, as well as a profit margin. For example, whether the amount prepaid reflects only the principal that has not yet been paid and the interest based on the outstanding principal, as well as reasonable compensation paid for the early termination of the contract.

### (b) *Measurement of expected credit losses*

The measurement of expected credit loss for the investment in financial assets measured at amortised cost and debt instruments measured at FVOCI is an area that requires the use of complex models and significant assumptions about future macroeconomic conditions and credit behaviour (e.g. the likelihood of default by customers and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit losses is further detailed in Note 62(1).

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

– Determining criteria for significant increase and credit-impaired in credit risk;

– Choosing appropriate models and assumptions for the measurement of expected credit losses;

– Determining the forward-looking information and weightings for different types of products when measuring expected credit losses; and

– Establishing groups of financial instruments with similar risk characteristics for the purpose of measuring expected credit losses.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 62(1) Credit risk.

### (c) *Fair value of financial instruments*

The fair value of financial instruments that are traded in an active market is based on their quoted market prices in an active market at the valuation date. A quoted market price is a price from an active market where price information is readily and regularly available from an exchange or from a dealer quotation and where this price information represents actual and recurring orderly transactions.

For all other financial instruments, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, foreign currency exchange rates, credit spreads and the liquidity premium. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on the maximising observable market data at the end of each reporting period. However, where market data is not available, the Group needs to make the best estimates on such unobservable market inputs.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants in an orderly transaction.

## 4 Significant accounting policies and accounting estimates (continued)

### (26) Significant accounting estimates and judgements (continued)

#### *(d) Income taxes*

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

#### *(e) Employee retirement benefit obligations*

The Group has established liabilities in connection with benefits paid to certain retired employees. The amounts of employee benefit expense and liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's other comprehensive income and liability related to its employee retirement benefit obligations.

#### *(f) Scope of consolidation*

The Group has taken into consideration all facts and circumstances in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

## 5 Taxation

The Group's main applicable taxes and tax rates are as follows:

### Value added tax ("VAT")

Pursuant to the 'Circular on the Comprehensive Plan for Levying VAT in place of Business Tax' (Cai Shui [2016] No.36) jointly issued by the Ministry of Finance ("MOF") and the State Administration of Taxation, business tax that used to be levied on taxable income of the Bank and its subsidiaries in the Chinese mainland was replaced by VAT from 1 May 2016, and the main VAT rate is 6%.

### City construction tax

City construction tax is calculated as 1% to 7% of VAT.

### Education surcharge

Education surcharge is calculated as 3% of VAT.

### Local education surcharge

Local education surcharge is calculated as 2% of VAT.

### Income tax

The predominant income tax rate that is applicable to the Bank and its subsidiaries in the Chinese mainland is 25%. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is deducted to the extent allowed under the relevant income tax laws of the PRC.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 6 Net interest income

| | 2023 | 2022 |
|---|---|---|
| **Interest income arising from:** | | |
| Deposits with central banks | 45,636 | 39,177 |
| Deposits with banks and non-bank financial institutions | 5,907 | 4,496 |
| Placements with banks and non-bank financial institutions | 19,771 | 9,721 |
| Financial assets held under resale agreements | 19,611 | 15,024 |
| Financial investments | 278,524 | 256,242 |
| Loans and advances to customers | | |
| – Corporate loans and advances | 492,292 | 440,574 |
| – Personal loans and advances | 373,291 | 395,123 |
| – Discounted bills | 12,334 | 10,216 |
| Total | 1,247,366 | 1,170,573 |
| **Interest expense arising from:** | | |
| Borrowings from central banks | (23,785) | (20,470) |
| Deposits from banks and non-bank financial institutions | (63,187) | (48,330) |
| Placements from banks and non-bank financial institutions | (17,692) | (8,477) |
| Financial assets sold under repurchase agreements | (2,962) | (1,520) |
| Debt securities issued | (54,504) | (45,857) |
| Deposits from customers | | |
| – Corporate deposits | (215,040) | (178,832) |
| – Personal deposits | (252,963) | (223,418) |
| Total | (630,133) | (526,904) |
| Net interest income | 617,233 | 643,669 |

(1) Interest income from impaired financial assets is listed as follows:

| | 2023 | 2022 |
|---|---|---|
| Impaired loans and advances | 5,058 | 4,844 |
| Other impaired financial assets | 433 | 177 |
| Total | 5,491 | 5,021 |

(2) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debt securities issued.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 7 Net fee and commission income

| | **2023** | 2022 |
|---|---|---|
| **Fee and commission income** | | |
| Settlement and clearing fees | **37,637** | 36,567 |
| Bank card fees | **21,071** | 17,098 |
| Agency service fees | **18,894** | 19,231 |
| Commission on trust and fiduciary activities | **18,389** | 17,738 |
| Consultancy and advisory fees | **10,892** | 10,731 |
| Wealth management service fees | **10,680** | 16,185 |
| Others | **12,343** | 13,280 |
| Total | **129,906** | 130,830 |
| **Fee and commission expense** | | |
| Bank card transaction fees | **(6,593)** | (6,288) |
| Inter-bank transaction fees | **(1,245)** | (1,151) |
| Others | **(6,322)** | (7,306) |
| Total | **(14,160)** | (14,745) |
| Net fee and commission income | **115,746** | 116,085 |

## 8 Net trading gain

| | **2023** | 2022 |
|---|---|---|
| Debt securities | **4,134** | 2,407 |
| Derivatives | **1,360** | 1,030 |
| Equity investments | **(57)** | (111) |
| Others | **248** | 306 |
| Total | **5,685** | 3,632 |

## 9 Dividend income

| | **2023** | 2022 |
|---|---|---|
| Dividend income from equity investments measured at fair value through profit or loss | **5,701** | 6,117 |
| Dividend income from equity investments measured at fair value through other comprehensive income | **11** | 18 |
| Total | **5,712** | 6,135 |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 10 Net loss arising from investment securities

| | 2023 | 2022 |
|---|---|---|
| Net loss related to financial liabilities designated as measured at fair value through profit or loss | (8,865) | (10,930) |
| Net gain related to other financial assets and liabilities measured at fair value through profit or loss | 7,158 | 1,693 |
| Net gain related to financial assets measured at fair value through other comprehensive income | 1,375 | 79 |
| Others | 110 | 96 |
| Total | (222) | (9,062) |

## 11 Net gain on derecognition of financial assets measured at amortised cost

For the year ended 31 December 2023, a net gain on derecognition of financial assets measured at amortised cost mainly attributes to the Group's issuance of asset-backed securities, which led to net gains of RMB911 million arising from derecognition of loans and advances to customers (for the year ended 31 December 2022: no gain).

## 12 Other operating income/(expense), net

| | 2023 | 2022 |
|---|---|---|
| **Other operating income** | | |
| Insurance related income | 4,783 | 4,448 |
| Foreign exchange gains | 3,247 | 495 |
| Rental income | 7,402 | 6,049 |
| Others | 9,791 | 11,808 |
| Total | 25,223 | 22,800 |
| **Other operating expense** | | |
| Insurance related costs | (13,502) | (12,432) |
| Others | (11,206) | (13,639) |
| Total | (24,708) | (26,071) |
| Other operating income/(expense), net | 515 | (3,271) |

Foreign exchange gains or losses includes gains and losses in connection with the translation of foreign currency denominated monetary assets and liabilities, and net realised and unrealised gains and losses on foreign exchange derivatives (including those foreign exchange swaps, foreign exchange options and cross currency swaps entered into in order to economically hedge positions in foreign currency assets).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 13 Operating expenses

| | **2023** | 2022 |
|---|---|---|
| Staff costs | | |
| – Salaries, bonuses, allowances and subsidies | **84,618** | 83,386 |
| – Defined contribution plans | **16,319** | 15,351 |
| – Housing funds | **7,915** | 7,478 |
| – Union running costs and employee education costs | **3,389** | 3,262 |
| – Early retirement benefits | **5** | 5 |
| – Compensation to employees for termination of employment relationship | **9** | 3 |
| – Others | **15,768** | 15,670 |
| | **128,023** | 125,155 |
| Premises and equipment expenses | | |
| – Depreciation charges | **21,289** | 21,939 |
| – Rent and property management expenses | **4,167** | 4,054 |
| – Maintenance | **2,594** | 2,925 |
| – Utilities | **1,997** | 1,879 |
| – Others | **2,403** | 2,761 |
| | **32,450** | 33,558 |
| Taxes and surcharges | **8,476** | 8,154 |
| Amortisation expenses | **3,495** | 3,140 |
| Other general and administrative expenses | **47,708** | 49,984 |
| Total | **220,152** | 219,991 |

In 2023, the Group's operating expenses related to actual research and development activities amounted to RMB7,191 million (2022: RMB7,453 million).

## 14 Credit impairment losses

| | **2023** | 2022 |
|---|---|---|
| Loans and advances to customers | **144,682** | 139,741 |
| Financial investments | | |
| – Financial assets measured at amortised cost | **(7,468)** | 1,869 |
| – Financial assets measured at fair value through other comprehensive income | **(374)** | 2,157 |
| Off-balance sheet credit business | **(6,109)** | 6,184 |
| Others | **6,043** | 4,584 |
| Total | **136,774** | 154,535 |

## 15 Other impairment losses

| | **2023** | 2022 |
|---|---|---|
| Other impairment losses | **463** | 479 |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 16 Directors' and supervisors' emoluments

The aggregate of the emoluments before individual income tax of directors and supervisors who held office during the year is as follows:

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Fees RMB'000 | Remuneration paid RMB'000 | Contributions to defined contribution retirement schemes RMB'000 | Other benefits in kind (Note (v)) RMB'000 | Total (Note (i)) RMB'000 |
| **Executive directors** | | | | | |
| Zhang Jinliang (Notes (ii) & (vi)) | – | 673 | 63 | 147 | 883 |
| Ji Zhihong (Notes (ii) & (vi)) | – | 605 | 63 | 143 | 811 |
| **Non-executive directors** | | | | | |
| Tian Bo (Note (iii)) | – | – | – | – | – |
| Xia Yang (Note (iii)) | – | – | – | – | – |
| Shao Min (Note (iii)) | – | – | – | – | – |
| Liu Fang (Note (iii)) | – | – | – | – | – |
| Li Lu (Notes (ii) & (iii)) | – | – | – | – | – |
| **Independent non-executive directors** | | | | | |
| Kenneth Patrick Chung | 440 | – | – | – | 440 |
| Graeme Wheeler | 440 | – | – | – | 440 |
| Michel Madelain | 430 | – | – | – | 430 |
| William Coen | 390 | – | – | – | 390 |
| Leung Kam Chung, Antony | 410 | – | – | – | 410 |
| Lord Sassoon (Note (ii)) | 98 | – | – | – | 98 |
| **Supervisors** | | | | | |
| Lin Hong (Note (vi)) | – | 1,232 | 63 | 225 | 1,520 |
| Liu Jun (Note (iv)) | 50 | – | – | – | 50 |
| Zhao Xijun | 290 | – | – | – | 290 |
| Liu Huan | 270 | – | – | – | 270 |
| Ben Shenglin | 250 | – | – | – | 250 |
| **Former executive directors** | | | | | |
| Tian Guoli (Notes (ii) & (vi)) | – | 673 | 63 | 147 | 883 |
| Cui Yong (Notes (ii) & (vi)) | – | 605 | 63 | 143 | 811 |
| **Former non-executive directors** | | | | | |
| Xu Jiandong (Notes (ii) & (iii)) | – | – | – | – | – |
| **Former independent non-executive directors** | | | | | |
| Malcolm Christopher McCarthy (Note (ii)) | 205 | – | – | – | 205 |
| **Former supervisors** | | | | | |
| Wang Yongqing (Notes (ii) &(vi)) | – | 504 | 47 | 110 | 661 |
| Wang Yi (Notes (ii) &(iv)) | 17 | – | – | – | 17 |
| | 3,290 | 4,292 | 362 | 915 | 8,859 |

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 16 Directors' and supervisors' emoluments (continued)

| | 2022 | | | |
|---|---|---|---|---|
| | Annual remuneration payable (Allowances) RMB'000 | Employer's contribution to social insurances, enterprise annuity, supplemental medical insurance and housing funds RMB'000 | Other monetary income RMB'000 | Total RMB'000 |
| **Executive directors** | | | | |
| Tian Guoli (Notes (ii) & (vi)) | 926 | 217 | – | 1,143 |
| Zhang Jinliang (Notes (ii) & (vi)) | 617 | 141 | – | 758 |
| **Non-executive directors** | | | | |
| Xu Jiandong (Notes (ii) & (iii)) | – | – | – | – |
| Tian Bo (Note (iii)) | – | – | – | – |
| Xia Yang (Note (iii)) | – | – | – | – |
| Shao Min (Note (iii)) | – | – | – | – |
| Liu Fang (Note (iii)) | – | – | – | – |
| Li Lu (Notes (ii) & (iii)) | – | – | – | – |
| **Independent non-executive directors** | | | | |
| Malcolm Christopher McCarthy | 410 | – | – | 410 |
| Kenneth Patrick Chung | 440 | – | – | 440 |
| Graeme Wheeler | 440 | – | – | 440 |
| Michel Madelain | 420 | – | – | 420 |
| William Coen | 390 | – | – | 390 |
| Leung Kam Chung, Antony | 410 | – | – | 410 |
| **Supervisors** | | | | |
| Wang Yongqing (Notes (ii) & (vi)) | 926 | 217 | – | 1,143 |
| Lin Hong (Note (vi)) | 2,201 | 269 | – | 2,470 |
| Wang Yi (Notes (ii) & (iv)) | 50 | – | – | 50 |
| Liu Jun (Note (iv)) | 50 | – | – | 50 |
| Zhao Xijun | 290 | – | – | 290 |
| Liu Huan | 260 | – | – | 260 |
| Ben Shenglin | 250 | – | – | 250 |
| **Former executive directors** | | | | |
| Wang Jiang (Note (vi)) | 232 | 57 | – | 289 |
| **Former non-executive directors** | | | | |
| Zhang Qi (Note (iii)) | – | – | – | – |
| **Former supervisors** | | | | |
| Yang Fenglai (Note (vi)) | 2,018 | 229 | – | 2,247 |
| Deng Aibing (Note (iv)) | 46 | – | – | 46 |
| | 10,376 | 1,130 | – | 11,506 |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 16 Directors' and supervisors' emoluments (continued)

Notes:

(i) The amounts of emoluments for the year ended 31 December 2023 in respect of the services rendered by the directors and supervisors are subject to the approval of the Annual General Meeting.

(ii) Upon election of the Board and approval of the NFRA, Mr. Zhang Jinliang began to serve as chairman of the Board from March 2024 and ceased to serve as vice chairman of the Board from March 2024.

Upon election at the 2022 annual general meeting of the Bank and approval of the NFRA, Lord Sassoon began to serve as independent non-executive director of the Bank from October 2023. Upon election at the 2023 first extraordinary general meeting of the Bank and approval of the NFRA, Mr. Cui Yong and Mr. Ji Zhihong began to serve as executive directors of the Bank since June 2023. Upon election at the 2022 first extraordinary general meeting of the Bank and approval of the former CBIRC, Ms. Li Lu began to serve as non-executive director of the Bank from March 2023.

By reason of age, Mr. Tian Guoli ceased to serve as chairman and executive director of the Bank from March 2024. Due to change of job, Mr. Cui Yong ceased to serve as executive director of the Bank from January 2024. Due to expiration of term of office, Mr. Xu Jiandong ceased to serve as non-executive director of the Bank and Sir Malcolm Christopher McCarthy ceased to serve as independent non-executive director of the Bank from June 2023.

By reason of age, Mr. Wang Yongqing ceased to serve as chairman of the board of supervisors and shareholder representative supervisor of the Bank from October 2023. By reason of age, Mr. Wang Yi ceased to serve as employee representative supervisor of the Bank from April 2023.

(iii) The Bank did not need to pay the emoluments of non-executive directors appointed by Huijin for the services rendered in 2023 and 2022.

(iv) The amounts only included fees for their services as supervisors.

(v) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

(vi) The total compensation package for these directors and supervisors for the year ended 31 December 2023 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have a significant impact on the Group's financial statements for the year ended 31 December 2023. The final compensation will be disclosed in a separate announcement when determined.

(vii) The total compensation package for certain directors and supervisors for the year ended 31 December 2022 had not been finalised in accordance with regulations of the PRC relevant authorities as at the date that the 2022 financial statements were published. The aforesaid total compensation package for the directors and supervisors for the year ended 31 December 2022 was the final amount.

(viii) From 2015 onwards, remuneration of the Bank's leaders administered by central authorities has been paid in accordance with relevant policies relating to the central remuneration reform.

None of the directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2023 and 2022.

## 17 Individuals with highest emoluments

The five highest paid employees of the Group are all market-making personnel responsible for asset management business of the Bank's subsidiaries or personnel from the Bank's overseas entities. Their emoluments were determined based on prevailing market rates in respective countries (regions) where the subsidiaries are located. None of the five individuals with the highest emoluments are directors or supervisors whose emoluments are disclosed in Note 16. The aggregate of the emoluments before individual income tax of the five highest paid individuals during the year is as follows:

| | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|
| Salaries and allowance | **14,366** | 8,865 |
| Variable compensation | **19,367** | 28,632 |
| Contributions to defined contribution retirement schemes | **2,249** | 473 |
| Other benefits in kind | **1,225** | 2,054 |
| Total | **37,207** | 40,024 |

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 17 Individuals with highest emoluments (continued)

The numbers of these individuals whose emoluments before individual income tax are within the following bands is set out below:

| | 2023 | 2022 |
|---|---|---|
| RMB6,000,001 – RMB6,500,000 | 1 | – |
| RMB6,500,001 – RMB7,000,000 | 1 | – |
| RMB7,000,001 – RMB7,500,000 | – | 1 |
| RMB7,500,001 – RMB8,000,000 | 2 | 3 |
| RMB8,000,001 – RMB8,500,000 | 1 | – |
| RMB8,500,001 – RMB9,000,000 | – | – |
| RMB9,000,001 – RMB9,500,000 | – | – |
| RMB9,500,001 – RMB10,000,000 | – | 1 |

None of these individuals received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2023 and 2022.

## 18 Income tax expense

### (1) Income tax expense

| | 2023 | 2022 |
|---|---|---|
| Current tax | 66,370 | 77,397 |
| – The Chinese mainland | 63,246 | 75,509 |
| – Hong Kong | 1,294 | 1,055 |
| – Other countries and regions | 1,830 | 833 |
| Adjustments for prior years | (375) | (456) |
| Deferred tax | (9,078) | (18,105) |
| Total | 56,917 | 58,836 |

The provisions for income taxes for the Chinese mainland and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from the Chinese mainland and Hong Kong operations, respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

### (2) Reconciliation between income tax expense and accounting profit

| | Note | 2023 | 2022 |
|---|---|---|---|
| Profit before tax | | 389,377 | 383,699 |
| Income tax calculated at the 25% statutory tax rate | | 97,344 | 95,925 |
| Effects of different applicable rates of tax prevailing in other countries/regions | | (767) | (1,070) |
| Non-deductible expenses | (a) | 19,078 | 19,222 |
| Non-taxable income | (b) | (58,363) | (54,785) |
| Adjustments on income tax for prior years which affect profit or loss | | (375) | (456) |
| Income tax expense | | 56,917 | 58,836 |

(a) Non-deductible expenses primarily include non-deductible losses resulting from write-offs and impairment losses.

(b) Non-taxable income primarily includes interest income from PRC government bonds and local government bonds.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 19 Earnings per share

Basic earnings per share for the years ended 31 December 2023 and 2022 have been computed by dividing the net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the years.

For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares declared in respect of the period and the perpetual bond interest paid in the period should be deducted from the amount attributable to equity shareholders of the Bank.

The conversion feature of preference shares are considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur for the years ended 31 December 2023 and 2022, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculations.

| | **2023** | 2022 |
|---|---|---|
| Net profit attributable to equity shareholders of the Bank | **332,653** | 324,727 |
| Less: Profit for the year attributable to other equity instruments holders of the Bank | **(5,110)** | (4,538) |
| Net profit attributable to ordinary shareholders of the Bank | **327,543** | 320,189 |
| Weighted average number of ordinary shares (in millions of shares) | **250,011** | 250,011 |
| Basic earnings per share attributable to ordinary shareholders of the Bank (in RMB yuan) | **1.31** | 1.28 |
| Diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB yuan) | **1.31** | 1.28 |

## 20 Cash and deposits with central banks

| | Note | **31 December 2023** | 31 December 2022 |
|---|---|---|---|
| Cash | | **45,682** | 47,534 |
| Deposits with central banks | | | |
| – Statutory deposit reserves | (1) | **2,425,965** | 2,305,301 |
| – Surplus deposit reserves | (2) | **552,063** | 771,473 |
| – Fiscal deposits and others | | **41,042** | 33,725 |
| Accrued interest | | **1,306** | 1,263 |
| Total | | **3,066,058** | 3,159,296 |

(1) The Group places statutory deposit reserves with the People's Bank of China ("PBC") and overseas central banks where it has operations. The statutory deposit reserves are not available for use in the Group's daily business.

As at the end of the reporting period, the Bank's statutory deposit reserve rates in the Chinese mainland were as follows:

| | **31 December 2023** | 31 December 2022 |
|---|---|---|
| Reserve rate for RMB deposits | **9.00%** | 9.50% |
| Reserve rate for foreign currency deposits | **4.00%** | 6.00% |

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by the PBC.

The amounts of statutory deposit reserves placed with the central banks of overseas countries and regions are determined by local jurisdictions.

(2) The surplus deposit reserve maintained with the PBC is mainly for the purpose of clearing.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 21 Deposits with banks and non-bank financial institutions

### (1) Analysed by type of counterparties

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Banks | 131,935 | 177,083 |
| Non-bank financial institutions | 16,064 | 7,618 |
| Accrued interest | 379 | 1,060 |
| Gross balances | 148,378 | 185,761 |
| Allowances for impairment losses (Note 36) | (160) | (338) |
| Net balances | 148,218 | 185,423 |

### (2) Analysed by geographical sectors

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| The Chinese mainland | 111,430 | 152,478 |
| Overseas | 36,569 | 32,223 |
| Accrued interest | 379 | 1,060 |
| Gross balances | 148,378 | 185,761 |
| Allowances for impairment losses (Note 36) | (160) | (338) |
| Net balances | 148,218 | 185,423 |

As at 31 December 2023 and 2022, all of the Group's and the Bank's deposits with banks and non-bank financial institutions were designated as Stage 1. For the years ended 31 December 2023 and 2022, neither the book values nor the impairment allowances had any migrations between stages.

## 22 Placements with banks and non-bank financial institutions

### (1) Analysed by type of counterparties

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Banks | 408,117 | 319,239 |
| Non-bank financial institutions | 263,148 | 188,823 |
| Accrued interest | 4,956 | 2,657 |
| Gross balances | 676,221 | 510,719 |
| Allowances for impairment losses (Note 36) | (951) | (933) |
| Net balances | 675,270 | 509,786 |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 22 Placements with banks and non-bank financial institutions (continued)

### (2) Analysed by geographical sectors

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| The Chinese mainland | **473,888** | 356,745 |
| Overseas | **197,377** | 151,317 |
| Accrued interest | **4,956** | 2,657 |
| Gross balances | **676,221** | 510,719 |
| Allowances for impairment losses (Note 36) | **(951)** | (933) |
| Net balances | **675,270** | 509,786 |

As at 31 December 2023 and 2022, all of the Group's placements with banks and non-bank financial institutions were designated as Stage 1. For the years ended 31 December 2023 and 2022, the book value and the impairment loss allowances did not involve transfers between stages.

## 23 Derivatives and hedge accounting

### (1) Analysed by type of contracts

| | | 31 December 2023 | | | 31 December 2022 | | |
|---|---|---|---|---|---|---|---|
| | Note | Notional amounts | Assets | Liabilities | Notional amounts | Assets | Liabilities |
| Interest rate contracts | | **1,352,192** | **10,490** | **7,957** | 654,559 | 7,202 | 4,312 |
| Exchange rate contracts | | **3,711,837** | **31,425** | **27,568** | 2,685,521 | 40,119 | 38,820 |
| Other contracts | (a) | **192,081** | **1,925** | **6,343** | 127,641 | 1,987 | 3,615 |
| Total | | **5,256,110** | **43,840** | **41,868** | 3,467,721 | 49,308 | 46,747 |

### (2) Analysed by counterparty credit risk-weighted assets

| | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| Counterparty credit default risk-weighted assets | | | |
| – Interest rate contracts | | **7,690** | 6,479 |
| – Exchange rate contracts | | **57,042** | 50,168 |
| – Other contracts | (a) | **17,867** | 14,869 |
| Subtotal | | **82,599** | 71,516 |
| Risk-weighted assets for credit valuation adjustment | | **21,582** | 16,952 |
| Total | | **104,181** | 88,468 |

The notional amounts of derivatives only represent the unsettled transaction volume as at the end of the reporting period, instead of the amount of risk assets. Since 1 January 2013, the Group has adopted Capital Rules for Commercial Banks (Provisional) and other related policies. According to the rules set out by the NFRA, the counterparty credit risk-weighted assets include risk-weighted assets for credit valuation adjustments which are calculated based on counterparty conditions and maturity characteristics and include back-to-back client-driven transactions. From 1 January 2019, the Group measures default risk-weighted assets for derivatives counterparties in accordance with the *Rules on Measuring Derivative Counterparty Default Risk Assets*.

(a) Other contracts mainly consist of precious metals and commodity contracts.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 23 Derivatives and hedge accounting (continued)

### (3) Hedge accounting

The following designated hedging instruments are included in the derivatives disclosed above.

| | | 31 December 2023 | | | 31 December 2022 | | |
|---|---|---|---|---|---|---|---|
| | Note | Notional amounts | Assets | Liabilities | Notional amounts | Assets | Liabilities |
| Fair value hedges | (a) | | | | | | |
| Interest rate swaps | | 52,093 | 1,340 | 254 | 52,664 | 2,147 | 1,290 |
| Cross currency swaps | | – | – | – | 2,403 | 5 | 17 |
| Cash flow hedges | (b) | | | | | | |
| Foreign exchange swaps | | 28,536 | 250 | 254 | 18,394 | 76 | 72 |
| Cross currency swaps | | 1,000 | – | 13 | – | – | – |
| Interest rate swaps | | 3,199 | 130 | – | 3,105 | 210 | – |
| Total | | 84,828 | 1,720 | 521 | 76,566 | 2,438 | 1,379 |

#### (a) *Fair value hedges*

The Group uses interest rate swaps and cross currency swaps to hedge against changes in fair value of loans and advances to customers, financial assets measured at fair value through other comprehensive income, placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued arising from changes in interest rates and exchange rates.

Net (losses)/gains on fair value hedges are as follows:

| | 2023 | 2022 |
|---|---|---|
| Hedging instruments | (458) | 1,166 |
| Hedged items | 466 | (1,139) |

The gain and loss arising from the ineffective portion of fair value hedges was immaterial for the years ended 31 December 2023 and 2022.

#### (b) *Cash flow hedges*

The Group uses foreign exchange swaps, cross currency swaps and interest rate swaps to hedge against exposures to cash flow variability primarily from foreign exchange and interest rate risks on placements with banks and non-bank financial institutions, loans and advances to customers, borrowings from central banks, placements from banks and non-bank financial institutions, deposits from customers, and debt securities issued. The maturities of hedging instruments and hedged items are both within five years.

For the year ended 31 December 2023, the Group's net gain from the cash flow hedges of RMB201 million was recognised in other comprehensive income (for the year ended 31 December 2022: net gain from cash flow hedges of RMB485 million), and the gain and loss arising from the ineffective portion of cash flow hedges was immaterial.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 24 Financial assets held under resale agreements

Financial assets held under resale agreements analysed by underlying assets are shown as follows:

| | **31 December 2023** | 31 December 2022 |
|---|---|---|
| Debt securities | | |
| – Government bonds | **363,187** | 413,548 |
| – Debt securities issued by policy banks, banks and non-bank financial institutions | **547,054** | 562,011 |
| – Corporate bonds | **12** | – |
| Subtotal | **910,253** | 975,559 |
| Discounted bills | **68,930** | 64,964 |
| Accrued interest | **477** | 530 |
| Total | **979,660** | 1,041,053 |
| Allowances for impairment losses (Note 36) | **(162)** | (206) |
| Net balances | **979,498** | 1,040,847 |

As at 31 December 2023 and 2022, the Group's financial assets held under resale agreements were all designated as Stage 1. For the years ended 2023 and 2022, the book value and the impairment loss allowances do not involve the transfer between stages.

## 25 Loans and advances to customers

### (1) Analysed by measurement

| | Note | **31 December 2023** | 31 December 2022 |
|---|---|---|---|
| Gross loans and advances to customers measured at amortised cost | | **22,706,195** | 20,099,484 |
| Less: allowances for impairment losses | | **(778,223)** | (704,088) |
| Net loans and advances to customers measured at amortised cost | (a) | **21,927,972** | 19,395,396 |
| Loans and advances to customers measured at fair value through other comprehensive income | (b) | **1,104,787** | 1,048,651 |
| Accrued interest | | **50,618** | 48,995 |
| Total | | **23,083,377** | 20,493,042 |

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 25 Loans and advances to customers (continued)

### (1) Analysed by measurement (continued)

#### (a) *Loans and advances to customers measured at amortised cost*

| | **31 December 2023** | 31 December 2022 |
|---|---|---|
| Corporate loans and advances | | |
| – Loans | **13,832,726** | 11,653,882 |
| – Finance leases | **104,871** | 118,290 |
| | **13,937,597** | 11,772,172 |
| Personal loans and advances | | |
| – Residential mortgages | **6,452,948** | 6,547,659 |
| – Personal consumer loans | **431,758** | 301,416 |
| – Personal business loans | **777,481** | 415,344 |
| – Credit cards | **1,000,424** | 928,101 |
| – Others | **105,987** | 134,792 |
| | **8,768,598** | 8,327,312 |
| Gross loans and advances to customers measured at amortised cost | **22,706,195** | 20,099,484 |
| Stage 1 – allowances for impairment losses | **(363,424)** | (339,557) |
| Stage 2 – allowances for impairment losses | **(190,295)** | (176,141) |
| Stage 3 – allowances for impairment losses | **(224,504)** | (188,390) |
| Allowances for impairment losses at amortised cost (Note 36) | **(778,223)** | (704,088) |
| Net loans and advances to customers measured at amortised cost | **21,927,972** | 19,395,396 |

#### (b) *Loans and advances to customers measured at fair value through other comprehensive income*

| | **31 December 2023** | 31 December 2022 |
|---|---|---|
| Discounted bills | **1,104,787** | 1,048,651 |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 25 Loans and advances to customers (continued)

### (2) Analysed by assessment method of expected credit losses

| | 31 December 2023 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Gross loans and advances to customers measured at amortised cost | **21,602,943** | **777,996** | **325,256** | **22,706,195** |
| Less: allowances for impairment losses | **(363,424)** | **(190,295)** | **(224,504)** | **(778,223)** |
| Carrying amount of loans and advances to customers measured at amortised cost | **21,239,519** | **587,701** | **100,752** | **21,927,972** |
| Provision percentage for loans and advances to customers measured at amortised cost | **1.68%** | **24.46%** | **69.02%** | **3.43%** |
| Carrying amount of loans and advances to customers measured at fair value through other comprehensive income | **1,092,093** | **12,694** | **–** | **1,104,787** |
| Allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income | **(1,431)** | **(461)** | **–** | **(1,892)** |

| | 31 December 2022 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Gross loans and advances to customers measured at amortised cost | 19,126,560 | 680,099 | 292,825 | 20,099,484 |
| Less: allowances for impairment losses | (339,557) | (176,141) | (188,390) | (704,088) |
| Carrying amount of loans and advances to customers measured at amortised cost | 18,787,003 | 503,958 | 104,435 | 19,395,396 |
| Provision percentage for loans and advances to customers measured at amortised cost | 1.78% | 25.90% | 64.34% | 3.50% |
| Carrying amount of loans and advances to customers measured at fair value through other comprehensive income | 1,038,161 | 10,490 | – | 1,048,651 |
| Allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income | (2,610) | (553) | – | (3,163) |

For loans and advances to customers designated as Stages 1 and Stage 2 as well as personal loans and advances, and corporate loans and advances under portfolio management designated as Stage 3, the Group assessed ECL using risk parameter modelling approach that incorporated relevant parameters such as Probability of Default ("PD"), Loss Given Default ("LGD") or Exposure at Default ("EAD"). For other corporate loans and advances and discounted bills designated as Stage 3, management calculated ECL using the discounted cash flow method on expected recoverable cash flows.

The segmentation of the loans mentioned above is defined in Note 4(3)(f).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 25 Loans and advances to customers (continued)

### (3) Movements of allowances for impairment losses

| | | **2023** | | | |
|---|---|---|---|---|---|
| | Note | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| As at 1 January 2023 | | **339,557** | **176,141** | **188,390** | **704,088** |
| Transfers: | | | | | |
| Transfers in/(out) to Stage 1 | | **19,259** | **(18,402)** | **(857)** | **–** |
| Transfers in/(out) to Stage 2 | | **(12,464)** | **19,608** | **(7,144)** | **–** |
| Transfers in/(out) to Stage 3 | | **(5,474)** | **(22,661)** | **28,135** | **–** |
| Newly originated or purchased financial assets | | **168,995** | **–** | **–** | **168,995** |
| Transfer out/repayment | (a) | **(131,700)** | **(30,202)** | **(50,438)** | **(212,340)** |
| Remeasurements | (b) | **(14,749)** | **65,811** | **103,654** | **154,716** |
| Write-offs | | **–** | **–** | **(53,389)** | **(53,389)** |
| Recoveries of loans and advances written off | | **–** | **–** | **16,153** | **16,153** |
| As at 31 December 2023 | | **363,424** | **190,295** | **224,504** | **778,223** |

| | | 2022 | | | |
|---|---|---|---|---|---|
| | Note | Stage 1 | Stage 2 | Stage 3 | Total |
| As at 1 January 2022 | | 310,207 | 154,465 | 172,666 | 637,338 |
| Transfers: | | | | | |
| Transfers in/(out) to Stage 1 | | 16,596 | (16,120) | (476) | – |
| Transfers in/(out) to Stage 2 | | (8,324) | 14,805 | (6,481) | – |
| Transfers in/(out) to Stage 3 | | (4,035) | (22,533) | 26,568 | – |
| Newly originated or purchased financial assets | | 154,797 | – | – | 154,797 |
| Transfer out/repayment | (a) | (120,384) | (29,647) | (52,014) | (202,045) |
| Remeasurements | (b) | (9,300) | 75,171 | 84,033 | 149,904 |
| Write-offs | | – | – | (51,434) | (51,434) |
| Recoveries of loans and advances written off | | – | – | 15,528 | 15,528 |
| As at 31 December 2022 | | 339,557 | 176,141 | 188,390 | 704,088 |

(a) Transfer out/repayment refers to transfer of creditor's rights, securitisation of assets, debt-to-equity swaps and reversal of loss provision due to repayment of debts in the form of other assets, as well as repayment of loans.

(b) Remeasurements comprise the impact of changes in PD, LGD, and EAD; changes in model assumptions and methodologies; loss provisions change due to stage-transfer; unwinding of discount; and the impact of exchange rate changes, etc.

The loss provisions disclosed above are for loans and advances to customers measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 25 Loans and advances to customers (continued)

### (3) Movements of allowances for impairment losses (continued)

For the year ended 31 December 2023, the changes of gross carrying amounts of loans and advances to customers with a significant impact on the Group's impairment allowance were mainly resulted from the credit business in the Chinese mainland, including:

For the year ended 31 December 2023, the gross carrying amount of domestic branches corporate loans and advances to customers transferred from Stage 1 to Stage 2 was RMB219,751 million (for the year ended 31 December 2022: RMB165,437 million). The gross carrying amount of loans transferred from Stage 2 to Stage 3 was RMB51,037 million (for the year ended 31 December 2022: RMB51,923 million). The gross carrying amount of loans transferred from Stage 2 to Stage 1 was RMB49,822 million (for the year ended 31 December 2022: RMB47,495 million). The changes of impairment allowances resulting from loans transferred from Stage 1 to Stage 3, and Stage 3 to Stage 1 and Stage 2 was not significant (for the year ended 31 December 2022: not significant). For the year ended 31 December 2023, the changes of impairment allowances resulting from stage-transfer of domestic branches personal loans and advances to customers were not significant (for the year ended 31 December 2022: not significant).

For the year ended 31 December 2023, the gross carrying amount of the loans of which impairment allowances were transferred from Stage 3 to Stage 2, and from Stage 3 or Stage 2 to Stage 1, due to the modification of contractual cash flows of domestic branches which did not result in derecognition was not significant (for the year ended 31 December 2022: not significant).

### (4) Overdue loans analysed by overdue period

| | **31 December 2023** | | | | |
|---|---|---|---|---|---|
| | **Overdue within three months** | **Overdue between three months and one year** | **Overdue between one year and three years** | **Overdue over three years** | **Total** |
| Unsecured loans | **26,263** | **35,112** | **8,945** | **1,814** | **72,134** |
| Guaranteed loans | **12,863** | **19,777** | **29,155** | **4,525** | **66,320** |
| Loans secured by property and other immovable assets | **40,554** | **38,668** | **28,012** | **6,752** | **113,986** |
| Other pledged loans | **3,945** | **1,493** | **6,558** | **1,420** | **13,416** |
| Total | **83,625** | **95,050** | **72,670** | **14,511** | **265,856** |
| As a percentage of gross loans and advances to customers | **0.35%** | **0.40%** | **0.31%** | **0.06%** | **1.12%** |

| | 31 December 2022 | | | | |
|---|---|---|---|---|---|
| | Overdue within three months | Overdue between three months and one year | Overdue between one year and three years | Overdue over three years | Total |
| Unsecured loans | 23,342 | 19,039 | 9,643 | 1,785 | 53,809 |
| Guaranteed loans | 16,446 | 13,246 | 21,106 | 4,079 | 54,877 |
| Loans secured by property and other immovable assets | 43,931 | 30,768 | 21,018 | 4,602 | 100,319 |
| Other pledged loans | 4,278 | 1,701 | 3,176 | 652 | 9,807 |
| Total | 87,997 | 64,754 | 54,943 | 11,118 | 218,812 |
| As a percentage of gross loans and advances to customers | 0.41% | 0.31% | 0.26% | 0.05% | 1.03% |

Overdue loans represent loans of which the whole or part of the principal or interest is overdue for 1 day or more.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 25 Loans and advances to customers (continued)

### (5) Packaged disposal of non-performing loans

For the year ended 31 December 2023, the Group's total amount of non-performing loans sold through packaged disposal to external asset management companies was RMB3,568 million (for the year ended 31 December 2022: RMB3,052 million).

### (6) Write-offs

According to the Group's Write-offs policy, it is required to continue to recover the bad debts that are written off. For the year ended 31 December 2023, the amount of loans and advances to customers that the Group has written off under litigation-related condition but still under enforcement was RMB15,829 million (for the year ended 31 December 2022: RMB15,655 million).

## 26 Financial investments

### (1) Analysed by measurement

| | Note | **31 December 2023** | 31 December 2022 |
|---|---|---|---|
| Financial assets measured at fair value through profit or loss | (a) | **602,303** | 568,097 |
| Financial assets measured at amortised cost | (b) | **6,801,242** | 5,958,397 |
| Financial assets measured at fair value through other comprehensive income | (c) | **2,234,731** | 2,015,818 |
| Total | | **9,638,276** | 8,542,312 |

#### *(a) Financial assets measured at fair value through profit or loss*

*Analysed by nature*

| | Note | **31 December 2023** | 31 December 2022 |
|---|---|---|---|
| Held-for-trading purposes | | | |
| – Debt securities | (i) | **127,985** | 140,689 |
| – Equity instruments and funds | (ii) | **1,463** | 1,007 |
| | | **129,448** | 141,696 |
| Others | | | |
| – Credit investments | (iii) | **80,747** | 58,796 |
| – Debt securities | (iv) | **153,567** | 140,547 |
| – Funds and others | (v) | **238,541** | 227,058 |
| | | **472,855** | 426,401 |
| Total | | **602,303** | 568,097 |

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 26 Financial investments (continued)

### (1) Analysed by measurement (continued)

#### (a) *Financial assets measured at fair value through profit or loss* (continued)

*Analysed by type of issuers*

Held-for-trading purposes

(i) Debt securities

| | **31 December 2023** | 31 December 2022 |
|---|---|---|
| Government | **20,369** | 16,227 |
| Central banks | **8,074** | 7,453 |
| Policy banks | **26,398** | 23,612 |
| Banks and non-bank financial institutions | **57,698** | 38,997 |
| Enterprises | **15,446** | 54,400 |
| Total | **127,985** | 140,689 |
| Listed (Note) | **118,880** | 129,534 |
| – of which in Hong Kong | **849** | 622 |
| Unlisted | **9,105** | 11,155 |
| Total | **127,985** | 140,689 |

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(ii) Equity instruments and funds

| | **31 December 2023** | 31 December 2022 |
|---|---|---|
| Banks and non-bank financial institutions | **1,114** | 796 |
| Enterprises | **349** | 211 |
| Total | **1,463** | 1,007 |
| Listed | **374** | 281 |
| – of which in Hong Kong | **209** | 89 |
| Unlisted | **1,089** | 726 |
| Total | **1,463** | 1,007 |

Others

(iii) Credit investments

| | **31 December 2023** | 31 December 2022 |
|---|---|---|
| Banks and non-bank financial institutions | **54,349** | 34,008 |
| Enterprises | **26,398** | 24,788 |
| Total | **80,747** | 58,796 |
| Unlisted | **80,747** | 58,796 |
| Total | **80,747** | 58,796 |

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 26 Financial investments (continued)

### (1) Analysed by measurement (continued)

#### (a) *Financial assets measured at fair value through profit or loss (continued)*

*Analysed by type of issuers (continued)*

Others (continued)

(iv) Debt securities

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Policy banks | 18,701 | 11,353 |
| Banks and non-bank financial institutions | 134,494 | 126,889 |
| Enterprises | 372 | 2,305 |
| Total | 153,567 | 140,547 |
| Listed (Note) | 153,481 | 138,442 |
| – of which in Hong Kong | 74 | 29 |
| Unlisted | 86 | 2,105 |
| Total | 153,567 | 140,547 |

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(v) Funds and others

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Banks and non-bank financial institutions | 102,301 | 84,083 |
| Enterprises | 136,240 | 142,975 |
| Total | 238,541 | 227,058 |
| Listed | 31,367 | 36,791 |
| – of which in Hong Kong | 1,599 | 1,394 |
| Unlisted | 207,174 | 190,267 |
| Total | 238,541 | 227,058 |

There was no significant limitation on the ability of the Group to dispose of financial assets measured at FVPL.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 26 Financial investments (continued)

### (1) Analysed by measurement (continued)

#### *(b) Financial assets measured at amortised cost*

*Analysed by type of issuers*

| | **31 December 2023** | 31 December 2022 |
|---|---|---|
| Government | **5,925,826** | 5,146,501 |
| Central banks | **3,127** | – |
| Policy banks | **345,103** | 330,983 |
| Banks and non-bank financial institutions | **192,626** | 152,202 |
| Enterprises | **222,407** | 236,337 |
| Special government bond | **49,200** | 49,200 |
| Subtotal | **6,738,289** | 5,915,223 |
| Accrued interest | **87,799** | 78,042 |
| Gross balances | **6,826,088** | 5,993,265 |
| Allowances for impairment losses | | |
| – Stage 1 | **(11,716)** | (17,768) |
| – Stage 2 | **(80)** | (199) |
| – Stage 3 | **(13,050)** | (16,901) |
| Subtotal | **(24,846)** | (34,868) |
| Net balances | **6,801,242** | 5,958,397 |
| Listed (Note) | **6,664,047** | 5,845,229 |
| – of which in Hong Kong | **3,682** | 5,994 |
| Unlisted | **137,195** | 113,168 |
| Total | **6,801,242** | 5,958,397 |
| Market value of listed bonds | **6,911,734** | 5,997,213 |

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 26 Financial investments (continued)

### (1) Analysed by measurement (continued)

#### *(c) Financial assets measured at fair value through other comprehensive income*

*Analysed by nature*

| | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| Debt securities | (i) | **2,224,783** | 2,008,371 |
| Equity instruments | (ii) | **9,948** | 7,447 |
| Total | | **2,234,731** | 2,015,818 |

*Analysed by type of issuers*

(i) Debt securities

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Government | **1,310,050** | 1,235,685 |
| Central banks | **31,937** | 40,064 |
| Policy banks | **482,236** | 430,348 |
| Banks and non-bank financial institutions | **229,794** | 137,231 |
| Enterprises | **112,312** | 116,483 |
| Accumulated change of fair value charged in other comprehensive income | **33,072** | 22,935 |
| Subtotal | **2,199,401** | 1,982,746 |
| Accrued interest | **25,382** | 25,625 |
| Total | **2,224,783** | 2,008,371 |
| Listed (Note) | **2,102,571** | 1,907,491 |
| – of which in Hong Kong | **71,707** | 61,905 |
| Unlisted | **122,212** | 100,880 |
| Total | **2,224,783** | 2,008,371 |

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(ii) The Group designates certain non-trading equity investments as financial assets measured at fair value through other comprehensive income. For the year ended 31 December 2023, dividend income from such equity investments was RMB11 million (for the year ended 31 December 2022: RMB18 million). The value of equity investments disposed of was RMB46 million (for the year ended 31 December 2022: Nil) and the cumulative gains transferred into retained earnings from other comprehensive income after disposal was RMB26 million (for the year ended 31 December 2022: Nil).

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 26 Financial investments (continued)

### (2) Movements of allowances for impairment losses

#### *(a) Financial assets measured at amortised cost*

| | | 2023 | | | |
|---|---|---|---|---|---|
| | Note | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| As at 1 January 2023 | | **17,768** | **199** | **16,901** | **34,868** |
| Transfers: | | | | | |
| Transfers in/(out) to Stage 1 | | **–** | **–** | **–** | **–** |
| Transfers in/(out) to Stage 2 | | **(7)** | **7** | **–** | **–** |
| Transfers in/(out) to Stage 3 | | **–** | **–** | **–** | **–** |
| Newly originated or purchased financial assets | | **1,642** | **–** | **–** | **1,642** |
| Financial assets derecognised during the year | | **(2,485)** | **(172)** | **(3,425)** | **(6,082)** |
| Remeasurements | (i) | **(5,202)** | **46** | **1,197** | **(3,959)** |
| Write-offs | | **–** | **–** | **(1,623)** | **(1,623)** |
| As at 31 December 2023 | | **11,716** | **80** | **13,050** | **24,846** |

| | | 2022 | | | |
|---|---|---|---|---|---|
| | Note | Stage 1 | Stage 2 | Stage 3 | Total |
| As at 1 January 2022 | | 17,734 | 1,427 | 15,064 | 34,225 |
| Transfers: | | | | | |
| Transfers in/(out) to Stage 1 | | – | – | – | – |
| Transfers in/(out) to Stage 2 | | (60) | 60 | – | – |
| Transfers in/(out) to Stage 3 | | (34) | (610) | 644 | – |
| Newly originated or purchased financial assets | | 3,104 | – | – | 3,104 |
| Financial assets derecognised during the year | | (2,287) | (699) | (306) | (3,292) |
| Remeasurements | (i) | (689) | 21 | 3,385 | 2,717 |
| Write-offs | | – | – | (1,886) | (1,886) |
| As at 31 December 2022 | | 17,768 | 199 | 16,901 | 34,868 |

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 26 Financial investments (continued)

### (2) Movements of allowances for impairment losses (continued)

#### (b) *Financial assets measured at fair value through other comprehensive income*

| | Note | 2023 | | | |
|---|---|---|---|---|---|
| | Note | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| As at 1 January 2023 | | **5,558** | **42** | **372** | **5,972** |
| Transfers: | | | | | |
| Transfers in/(out) to Stage 1 | | **–** | **–** | **–** | **–** |
| Transfers in/(out) to Stage 2 | | **–** | **–** | **–** | **–** |
| Transfers in/(out) to Stage 3 | | **–** | **(45)** | **45** | **–** |
| Newly originated or purchased financial assets | | **1,941** | **–** | **–** | **1,941** |
| Financial assets derecognised during the year | | **(1,858)** | **(3)** | **(6)** | **(1,867)** |
| Remeasurements | (i) | **(622)** | **23** | **174** | **(425)** |
| Write-offs | | **–** | **–** | **(213)** | **(213)** |
| As at 31 December 2023 | | **5,019** | **17** | **372** | **5,408** |

| | Note | 2022 | | | |
|---|---|---|---|---|---|
| | Note | Stage 1 | Stage 2 | Stage 3 | Total |
| As at 1 January 2022 | | 3,643 | 101 | 70 | 3,814 |
| Transfers: | | | | | |
| Transfers in/(out) to Stage 1 | | 3 | (3) | – | – |
| Transfers in/(out) to Stage 2 | | – | – | – | – |
| Transfers in/(out) to Stage 3 | | – | (56) | 56 | – |
| Newly originated or purchased financial assets | | 2,503 | – | – | 2,503 |
| Financial assets derecognised during the year | | (1,153) | (20) | (70) | (1,243) |
| Remeasurements | (i) | 562 | 20 | 316 | 898 |
| As at 31 December 2022 | | 5,558 | 42 | 372 | 5,972 |

(i) Remeasurements mainly consist of updates to PD, LGD, and EAD, as well as provisioning/reversal of loss provisions for financial investments due to migration between stages.

As at 31 December 2023, the Group's financial assets measured at amortised cost with carrying amount of RMB14,427 million (as at 31 December 2022: RMB19,768 million) and financial assets measured at fair value through other comprehensive income with carrying amount of RMB54 million (as at 31 December 2022: RMB175 million) were impaired and classified as Stage 3, financial assets measured at amortised cost with carrying amount of RMB462 million (as at 31 December 2022: RMB1,273 million) and financial assets measured at fair value through other comprehensive income with carrying amount of RMB549 million (as at 31 December 2022: RMB467 million) were classified as Stage 2, and the remaining financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income were classified as Stage 1.

For the year ended 31 December 2023, the increase in the Group's Stage 1 financial assets due to newly originated or purchased financial assets amounted to RMB2,127,112 million (for the year ended 31 December 2022: RMB1,822,360 million), the decrease in Stage 1 financial assets due to derecognition amounted to RMB1,080,730 million (for the year ended 31 December 2022: RMB961,497 million), and there were no significant changes in the balances of financial assets classified as Stage 2 and 3. Both the amounts of financial assets transferred between stages and the amounts of financial assets with modifications of contractual cash flows that did not result in a derecognition were not significant.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 27 Long-term equity investments

### (1) Investments in subsidiaries

#### *(a) Investment balance*

| | Note | **31 December 2023** | 31 December 2022 |
|---|---|---|---|
| CCB Financial Asset Investment Co., Ltd. ("CCB Investment") | | **27,000** | 27,000 |
| CCB Wealth Management Co., Ltd. ("CCB Wealth Management") | | **15,000** | 15,000 |
| CCB Financial Leasing Co., Ltd. ("CCB Financial Leasing") | | **11,163** | 11,163 |
| CCB House Rental Fund (Limited Partnership) ("CCB House Rental Fund") | (i) | **10,000** | 5,000 |
| CCB Brazil Financial Holding – Investimentos e Participações Ltda. | | **9,542** | 9,542 |
| CCB Trust Co., Ltd. ("CCB Trust") | | **7,429** | 7,429 |
| CCB Life Insurance Co., Ltd. ("CCB Life") | | **6,962** | 6,962 |
| CCB Consumer Finance Co., Ltd. ("CCB Consumer Finance") | (ii) | **6,000** | – |
| China Construction Bank (Europe) S.A. ("CCB Europe") | | **4,406** | 4,406 |
| China Construction Bank (London) Limited ("CCB London") | (iii) | **2,861** | 2,861 |
| PT Bank China Construction Bank Indonesia Tbk ("CCB Indonesia") | | **2,215** | 2,215 |
| CCB Pension Management Co., Ltd. ("CCB Pension") | | **1,610** | 1,610 |
| Sino-German Bausparkasse Co., Ltd. ("Sino-German Bausparkasse") | | **1,502** | 1,502 |
| China Construction Bank (Malaysia) Berhad ("CCB Malaysia") | | **1,334** | 1,334 |
| China Construction Bank (New Zealand) Limited ("CCB New Zealand") | | **976** | 976 |
| China Construction Bank (Russia) Limited Liability Company ("CCB Russia") | | **851** | 851 |
| Golden Fountain Finance Limited ("Golden Fountain") | | **676** | 676 |
| CCB Principal Asset Management Co., Ltd. ("CCB Principal Asset Management") | | **130** | 130 |
| CCB International Group Holdings Limited ("CCBIG") | | **–** | – |
| Subtotal | | **109,657** | 98,657 |
| Less: Allowance for impairment losses | | **(8,672)** | (8,672) |
| Total | | **100,985** | 89,985 |

(i) In 2023, the Bank added RMB5 billion to the CCB House Rental Fund. As at 31 December 2023, the Bank had invested RMB10 billion in the fund.

(ii) In 2023, CCB Consumer Finance completed registration and opened its business. As at 31 December 2023, the Bank had completed a capital contribution of RMB6 billion.

(iii) The Group steadily pressed ahead with business integration of its London entities.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 27 Long-term equity investments (continued)

### (1) Investments in subsidiaries (continued)

(b) *Except for CCB Indonesia, the major subsidiaries of the Group are unlisted enterprises, details of the investments in subsidiaries are as follows:*

| Name of company | Principal place of business | Particulars of issued and paid-up capital | Kind of legal entity | Principal activities | % of ownership directly held by the Bank | % of ownership indirectly held by the Bank | % of voting rights held by the Bank | Method of investment |
|---|---|---|---|---|---|---|---|---|
| CCB Investment | Beijing, the PRC | RMB27,000 million | Company with Limited Liability | Investment | 100% | – | 100% | Establishment |
| CCB Wealth Management | Shenzhen, the PRC | RMB15,000 million | Company with Limited Liability | Wealth Management | 100% | – | 100% | Establishment |
| CCB Financial Leasing | Beijing, the PRC | RMB11,000 million | Company with Limited Liability | Financial Leasing | 100% | – | 100% | Establishment |
| CCB House Rental Fund | Beijing, the PRC | RMB10,000 million | Limited Partnership | Investment | 99.99% | 0.01% | 100% | Establishment |
| CCB Brazil Financial Holding – Investimentos e Participações Ltda. | Sao Paulo, Brazil | R$4,281 million | Company with Limited Liability | Investment | 99.99% | 0.01% | 100% | Acquisition |
| CCB Trust | Anhui, the PRC | RMB10,500 million | Company with Limited Liability | Trust business | 67% | – | 67% | Acquisition |
| CCB Life | Shanghai, the PRC | RMB7,120 million | Company Limited by Shares | Insurance | 51% | – | 51% | Acquisition |
| CCB Consumer Finance | Beijing, the PRC | RMB7,200 million | Company with Limited Liability | Consumer Finance | 83.33% | – | 83.33% | Establishment |
| CCB Europe | Luxembourg | EUR550 million | Company with Limited Liability | Commercial Banking | 100% | – | 100% | Establishment |
| CCB London | London, United Kingdom | US$200 million RMB1,500 million | Company with Limited Liability | Commercial Banking | 100% | – | 100% | Establishment |
| CCB Indonesia | Jakarta, Indonesia | IDR3,791,973 million | Company Limited by Shares | Commercial Banking | 60% | – | 60% | Acquisition |
| CCB Pension | Beijing, the PRC | RMB2,300 million | Company with Limited Liability | Pension Management | 70% | – | 70% | Establishment |
| Sino-German Bausparkasse | Tianjin, the PRC | RMB2,000 million | Company with Limited Liability | House savings | 75.10% | – | 75.10% | Establishment |
| CCB Malaysia | Kuala Lumpur, Malaysia | MYR823 million | Company with Limited Liability | Commercial Banking | 100% | – | 100% | Establishment |
| CCB New Zealand | Auckland, New Zealand | NZD199 million | Company with Limited Liability | Commercial Banking | 100% | – | 100% | Establishment |
| CCB Russia | Moscow, Russia | RUB4,200 million | Company with Limited Liability | Commercial Banking | 100% | – | 100% | Establishment |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 27 Long-term equity investments (continued)

### (1) Investments in subsidiaries (continued)

*(b) Except for CCB Indonesia, the major subsidiaries of the Group are unlisted enterprises, details of the investments in subsidiaries are as follows:* (continued)

| Name of company | Principal place of business | Particulars of issued and paid-up capital | Kind of legal entity | Principal activities | % of ownership directly held by the Bank | % of ownership indirectly held by the Bank | % of voting rights held by the Bank | Method of investment |
|---|---|---|---|---|---|---|---|---|
| Golden Fountain | British Virgin Islands | US$50,000 | Company with Limited Liability | Investment | 100% | – | 100% | Acquisition |
| CCB Principal Asset Management | Beijing, the PRC | RMB200 million | Company with Limited Liability | Fund management services | 65% | – | 65% | Establishment |
| CCBIG | Hong Kong, the PRC | HK$1 | Company with Limited Liability | Investment | 100% | – | 100% | Establishment |
| CCB International (Holdings) Limited ("CCB International") | Hong Kong, the PRC | US$601 million | Company with Limited Liability | Investment | – | 100% | 100% | Acquisition |
| China Construction Bank (Asia) Corporation Limited ("CCB Asia") | Hong Kong, the PRC | HK$6,511 million RMB17,600 million | Company Limited by Shares | Commercial Banking | – | 100% | 100% | Acquisition |
| China Construction Bank (Brasil) Banco Múltiplo S/A. ("CCB Brasil") (i) | Sao Paulo, Brazil | R$2,957 million | Company Limited by Shares | Commercial Banking | – | 100% | 100% | Acquisition |

(i) Please refer to Note 64 for post-balance sheet developments of the Group's equity transfer of CCB Brasil.

(c) As at 31 December 2023, the amount of the non-controlling interests of the subsidiaries was immaterial to the Group.

### (2) Interests in associates and joint ventures

*(a) The movements of the Group's interests in associates and joint ventures are as follows:*

| | 2023 | 2022 |
|---|---|---|
| As at 1 January | **22,700** | 18,875 |
| Increase in capital during the year | **1,128** | 3,420 |
| Decrease in capital during the year | **(2,484)** | (551) |
| Share of profits | **1,151** | 1,194 |
| Cash dividend receivable | **(520)** | (603) |
| Accrual of allowances for impairment losses (Note 36) | **–** | (44) |
| Effect of exchange difference and others | **(992)** | 409 |
| As at 31 December | **20,983** | 22,700 |

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 27 Long-term equity investments (continued)

### (2) Interests in associates and joint ventures (continued)

*(b) Details of the interests in major associates and joint ventures are as follows:*

| Name of Company | Principal place of business | Particulars of issued and paid-up capital | Principal activities | % of ownership held | % of Voting held | Total assets at year end | Total liabilities at year end | Revenue for the year | Net profit for the year |
|---|---|---|---|---|---|---|---|---|---|
| Guoxin Jianyuan Equity Investment Fund (Chengdu) Partnership (Limited Partnership) | Chengdu, the PRC | RMB13,852 million | Equity investment | 50.00% | 50.00% | 12,515 | 2 | 1,479 | 1,387 |
| Jianyuan Infrastructure Equity Investment Fund (Tianjin) Partnership (Limited Partnership) | Tianjin, the PRC | RMB3,500 million | Equity investment | 48.57% | 40.00% | 4,258 | – | 150 | 150 |
| National Green Development Fund Co., Ltd. | Shanghai, the PRC | RMB23,275 million | Investment | 9.04% | 9.04% | 23,844 | 182 | 332 | 130 |
| Diamond String Limited | Hong Kong, the PRC | HK$10,000 | Property investment | 50.00% | 50.00% | 1,686 | 1,664 | 205 | 17 |
| Guomin Pension & Insurance Co., Ltd | Beijing, the PRC | RMB11,150 million | Insurance | 8.97% | 8.97% | 21,422 | 9,870 | 1,902 | 315 |

## 28 Structured entities

### (1) Unconsolidated structured entities

Unconsolidated structured entities of the Group include wealth management products, asset management plans, trust plans, funds and asset-backed securities held for investment purposes, and non-principal guaranteed wealth management products, trust plans and funds, which are issued or established by the Group for providing wealth management services to customers and earning management fees, commissions and custodian fees in return.

As at 31 December 2023 and 2022, the assets recognised for the Group's interests in the unconsolidated structured entities above included related investment and management fee, commission and custodian fee receivables accrued. Relevant carrying amounts and maximum risk exposures were as follows:

| | **31 December 2023** | 31 December 2022 |
|---|---|---|
| Financial investments | | |
| Financial assets measured at fair value through profit or loss | **170,525** | 130,468 |
| Financial assets measured at amortised cost | **7,789** | 15,425 |
| Financial assets measured at fair value through other comprehensive income | **2,317** | 187 |
| Long-term equity investments | **14,257** | 15,394 |
| Other assets | **3,498** | 3,444 |
| Total | **198,386** | 164,918 |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 28 Structured entities (continued)

### (1) Unconsolidated structured entities (continued)

For the years ended 31 December 2023 and 2022, gains and losses from the Group's unconsolidated structured entities were as follows:

| | **2023** | 2022 |
|---|---|---|
| Interest income | **658** | 957 |
| Fee and commission income | **11,563** | 16,432 |
| Net trading gain | **121** | 282 |
| Dividend income | **1,364** | 1,468 |
| Net gain/(loss) arising from investment securities | **1,734** | (243) |
| Share of profits of associates and joint ventures | **1,153** | 818 |
| Total | **16,593** | 19,714 |

As at 31 December 2023, the balance of unconsolidated structured entities initiated by the Group totalled RMB4,713,947 million (as at 31 December 2022: RMB4,890,726 million). In 2023, average daily balance of purchase and resale agreements with structured entities related to non-principal guaranteed WMPs issued by the Group was RMB2,085 million. As at 31 December 2023, the balance of these transactions was nil. These transactions had been conducted in accordance with market price or general commercial terms and conditions, and the gains or losses from such transactions had no significant impact on the Group.

### (2) Consolidated structured entities

Structured entities included into the Group's scope of consolidation consisted mainly of asset management plans and trust plans invested by the Group.

## 29 Fixed assets

| | **Bank premises** | **Equipment** | **Aircraft and vessels** | **Others** | **Total** |
|---|---|---|---|---|---|
| **Cost/Deemed cost** | | | | | |
| As at 1 January 2023 | **148,047** | **53,693** | **43,231** | **49,825** | **294,796** |
| Additions | **238** | **4,247** | **11,755** | **2,800** | **19,040** |
| Transfer in (Note 30) | **2,261** | **33** | **–** | **1,962** | **4,256** |
| Other movements | **(96)** | **(6,195)** | **(3,498)** | **(1,684)** | **(11,473)** |
| As at 31 December 2023 | **150,450** | **51,778** | **51,488** | **52,903** | **306,619** |
| **Accumulated depreciation** | | | | | |
| As at 1 January 2023 | **(57,412)** | **(37,014)** | **(8,759)** | **(33,327)** | **(136,512)** |
| Charge for the year | **(4,943)** | **(5,654)** | **(2,294)** | **(4,500)** | **(17,391)** |
| Other movements | **208** | **6,071** | **740** | **1,680** | **8,699** |
| As at 31 December 2023 | **(62,147)** | **(36,597)** | **(10,313)** | **(36,147)** | **(145,204)** |
| **Allowances for impairment losses (Note 36)** | | | | | |
| As at 1 January 2023 | **(392)** | **–** | **(875)** | **(3)** | **(1,270)** |
| Charge for the year | **(3)** | **–** | **(222)** | **–** | **(225)** |
| Other movements | **1** | **–** | **27** | **–** | **28** |
| As at 31 December 2023 | **(394)** | **–** | **(1,070)** | **(3)** | **(1,467)** |
| **Net carrying value** | | | | | |
| As at 1 January 2023 | **90,243** | **16,679** | **33,597** | **16,495** | **157,014** |
| As at 31 December 2023 | **87,909** | **15,181** | **40,105** | **16,753** | **159,948** |

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 29 Fixed assets (continued)

| | Bank premises | Equipment | Aircraft and vessels | Others | Total |
|---|---|---|---|---|---|
| **Cost/Deemed cost** | | | | | |
| As at 1 January 2022 | 146,606 | 56,232 | 35,529 | 47,048 | 285,415 |
| Additions | 327 | 4,354 | 8,551 | 3,489 | 16,721 |
| Transfer in (Note 30) | 1,720 | 70 | – | 1,667 | 3,457 |
| Other movements | (606) | (6,963) | (849) | (2,379) | (10,797) |
| As at 31 December 2022 | 148,047 | 53,693 | 43,231 | 49,825 | 294,796 |
| **Accumulated depreciation** | | | | | |
| As at 1 January 2022 | (52,501) | (37,661) | (7,082) | (30,683) | (127,927) |
| Charge for the year | (5,036) | (5,906) | (2,144) | (4,563) | (17,649) |
| Other movements | 125 | 6,553 | 467 | 1,919 | 9,064 |
| As at 31 December 2022 | (57,412) | (37,014) | (8,759) | (33,327) | (136,512) |
| **Allowances for impairment losses (Note 36)** | | | | | |
| As at 1 January 2022 | (390) | – | (397) | (3) | (790) |
| Charge for the year | (4) | – | (440) | – | (444) |
| Other movements | 2 | – | (38) | – | (36) |
| As at 31 December 2022 | (392) | – | (875) | (3) | (1,270) |
| **Net carrying value** | | | | | |
| As at 1 January 2022 | 93,715 | 18,571 | 28,050 | 16,362 | 156,698 |
| As at 31 December 2022 | 90,243 | 16,679 | 33,597 | 16,495 | 157,014 |

Notes:

(1) Other movements include disposals, retirements and exchange differences of fixed assets.

(2) As at 31 December 2023, the ownership documentation for the Group's bank premises with a net carrying value of RMB7,623 million (as at 31 December 2022: RMB6,587 million) was being finalised. However, management took the view that the aforesaid matter would not affect the Group's rights to these assets, nor would it have any significant impact on the Group's business operation.

## 30 Construction in progress

| | **2023** | 2022 |
|---|---|---|
| **Cost/Deemed cost** | | |
| As at 1 January | **9,971** | 11,628 |
| Additions | **2,180** | 2,407 |
| Transfer into fixed assets (Note 29) | **(4,256)** | (3,457) |
| Other movements | **(472)** | (607) |
| As at 31 December | **7,423** | 9,971 |
| **Net carrying value** | | |
| As at 1 January | **9,971** | 11,628 |
| As at 31 December | **7,423** | 9,971 |

Other movements include exchange differences.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 31 Land use rights

| | 2023 | 2022 |
|---|---|---|
| **Cost/Deemed cost** | | |
| As at 1 January | **22,743** | 22,692 |
| Additions | **213** | 166 |
| Other movements | **(53)** | (115) |
| As at 31 December | **22,903** | 22,743 |
| **Amortisation** | | |
| As at 1 January | **(9,385)** | (8,927) |
| Charge for the year | **(529)** | (528) |
| Other movements | **55** | 70 |
| As at 31 December | **(9,859)** | (9,385) |
| **Allowances for impairment losses (Note 36)** | | |
| As at 1 January | **(133)** | (135) |
| Other movements | **–** | 2 |
| As at 31 December | **(133)** | (133) |
| **Net carrying value** | | |
| As at 1 January | **13,225** | 13,630 |
| As at 31 December | **12,911** | 13,225 |

Other movements include exchange differences.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 32 Intangible assets

| | Software | Others | Total |
|---|---|---|---|
| **Cost/Deemed cost** | | | |
| As at 1 January 2023 | 18,899 | 922 | 19,821 |
| Additions | 2,458 | 13 | 2,471 |
| Other movements | (281) | (231) | (512) |
| As at 31 December 2023 | 21,076 | 704 | 21,780 |
| **Amortisation** | | | |
| As at 1 January 2023 | (12,814) | (502) | (13,316) |
| Charge for the year | (2,186) | (56) | (2,242) |
| Other movements | 153 | 174 | 327 |
| As at 31 December 2023 | (14,847) | (384) | (15,231) |
| **Allowances for impairment losses(Note 36)** | | | |
| As at 1 January 2023 | – | (9) | (9) |
| Additions | – | – | – |
| Other movements | – | – | – |
| As at 31 December 2023 | – | (9) | (9) |
| **Net carrying value** | | | |
| As at 1 January 2023 | 6,085 | 411 | 6,496 |
| As at 31 December 2023 | 6,229 | 311 | 6,540 |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 32 Intangible assets (continued)

| | Software | Others | Total |
|---|---|---|---|
| **Cost/Deemed cost** | | | |
| As at 1 January 2022 | 16,175 | 1,033 | 17,208 |
| Additions | 2,829 | 4 | 2,833 |
| Other movements | (105) | (115) | (220) |
| As at 31 December 2022 | 18,899 | 922 | 19,821 |
| **Amortisation** | | | |
| As at 1 January 2022 | (10,904) | (437) | (11,341) |
| Charge for the year | (1,980) | (94) | (2,074) |
| Other movements | 70 | 29 | 99 |
| As at 31 December 2022 | (12,814) | (502) | (13,316) |
| **Allowances for impairment losses (Note 36)** | | | |
| As at 1 January 2022 | – | (9) | (9) |
| Additions | – | – | – |
| Other movements | – | – | – |
| As at 31 December 2022 | – | (9) | (9) |
| **Net carrying value** | | | |
| As at 1 January 2022 | 5,271 | 587 | 5,858 |
| As at 31 December 2022 | 6,085 | 411 | 6,496 |

Other movements include exchange differences.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 33 Goodwill

(1) The goodwill is mainly attributable to the expected synergies arising from the acquisition of CCB Asia, CCB Brasil and CCB Indonesia. The movements of the goodwill are as follows:

| | **2023** | 2022 |
|---|---|---|
| As at 1 January | **2,256** | 2,141 |
| Additions through acquisitions | **136** | – |
| Effect of exchange difference | **66** | 115 |
| Allowances for impairment losses (Note 36) | **(2)** | – |
| As at 31 December | **2,456** | 2,256 |

(2) Impairment test for CGU containing goodwill

The Group calculated the recoverable amounts of CGUs (including goodwill) in accordance with accounting policies. The Group estimated present values of future cash flows of CGUs using expected future cash flow projections based on financial forecasts approved by management. The average growth rates used by the Group were consistent with the forecasts in industry reports, while the discount rates reflected specific risks relating to relevant segments. The Group estimated net amounts of fair value less costs of disposal based on net assets within the CGUs.

As at 31 December 2023, the Group's goodwill impairment provision amounted to RMB409 million (as at 31 December 2022: RMB365 million), mainly due to goodwill impairment of CCB Brasil CGU.

## 34 Deferred tax

| | **31 December 2023** | 31 December 2022 |
|---|---|---|
| Deferred tax assets | **121,227** | 113,081 |
| Deferred tax liabilities | **(1,724)** | (881) |
| Total | **119,503** | 112,200 |

### (1) Analysed by nature

| | **31 December 2023** | | 31 December 2022 | |
|---|---|---|---|---|
| | **Deductible/ (taxable) temporary differences** | **Deferred tax assets/ (liabilities)** | Deductible/ (taxable) temporary differences | Deferred tax assets/ (liabilities) |
| Deferred tax assets | | | | |
| – Fair value adjustments | **(27,233)** | **(6,922)** | (20,960) | (5,441) |
| – Allowances for impairment losses | **530,101** | **132,164** | 488,577 | 121,917 |
| – Employee benefits | **21,424** | **5,318** | 20,603 | 5,111 |
| – Others | **(27,268)** | **(9,333)** | (25,920) | (8,506) |
| Total | **497,024** | **121,227** | 462,300 | 113,081 |
| Deferred tax liabilities | | | | |
| – Fair value adjustments | **(4,545)** | **(961)** | (2,646) | (475) |
| – Others | **(4,515)** | **(763)** | (2,468) | (406) |
| Total | **(9,060)** | **(1,724)** | (5,114) | (881) |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 34 Deferred tax (continued)

### (2) Movements of deferred tax

| | Fair value adjustments | Allowances for impairment losses | Employee benefits | Others | Total |
|---|---|---|---|---|---|
| As at 1 January 2023 | **(5,916)** | **121,917** | **5,111** | **(8,912)** | **112,200** |
| Recognised in profit or loss | **(192)** | **10,247** | **207** | **(1,184)** | **9,078** |
| Recognised in other comprehensive income | **(1,775)** | **–** | **–** | **–** | **(1,775)** |
| As at 31 December 2023 | **(7,883)** | **132,164** | **5,318** | **(10,096)** | **119,503** |
| As at 1 January 2022 | (13,303) | 107,959 | 4,538 | (8,629) | 90,565 |
| Recognised in profit or loss | 3,857 | 13,958 | 573 | (283) | 18,105 |
| Recognised in other comprehensive income | 3,530 | – | – | – | 3,530 |
| As at 31 December 2022 | (5,916) | 121,917 | 5,111 | (8,912) | 112,200 |

The Group did not have significant unrecognised deferred tax as at the end of the reporting period.

## 35 Other assets

| | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| Repossessed assets | (1) | | |
| – Buildings | | **1,093** | 1,181 |
| – Land use rights | | **20** | 24 |
| – Others | | **9** | 239 |
| | | **1,122** | 1,444 |
| Assets held for sale | (2) | **29,278** | – |
| Right-of-use assets | (3) | **25,968** | 25,972 |
| Clearing and settlement accounts | | **25,659** | 9,386 |
| Fee and commission receivables | | **22,626** | 20,721 |
| Insurance related assets | (4) | **13,153** | 11,578 |
| Investment properties | | **13,100** | 8,659 |
| Leasehold improvements | | **4,146** | 3,327 |
| Deferred expenses | | **1,773** | 2,161 |
| Others | | **175,523** | 183,259 |
| Gross balance | | **312,348** | 266,507 |
| Allowances for impairment losses (Note 36) | | | |
| – Repossessed assets | | **(735)** | (891) |
| – Others | | **(12,241)** | (8,781) |
| | | **(12,976)** | (9,672) |
| Net balance | | **299,372** | 256,835 |

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 35 Other assets (continued)

(1) For the year ended 31 December 2023, the original cost of repossessed assets disposed of by the Group amounted to RMB151 million (for the year ended 31 December 2022: RMB166 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and transfer.

### (2) Assets/liabilities held for sale

As at 31 December 2023, the assets and liabilities classified as held for sale refers to assets and liabilities held by CCB Brazil Financial Holding – Investimentos e Participações Ltda., a subsidiary of the Group, which has entered into a share sale and purchase agreement with Bank of China Limited ("BOC") in relation to the transfer of shares in CCB Brasil. The closing of the relevant transaction is subject to the satisfaction of all prerequisites as set out in the share sale and purchase agreement.

As at 31 December 2023, the carrying amounts of assets held for sale and liabilities held for sale were as follows:

| | 31 December 2023 |
|---|---:|
| Financial assets held under resale agreements | **2,931** |
| Loans and advances to customers | **14,035** |
| Deferred tax assets | **968** |
| Other | **11,344** |
| Total assets held for sale | **29,278** |
| Placements from banks and non-bank financial institutions | **4,601** |
| Financial assets sold under repurchase agreements | **7,657** |
| Deposits from customers | **8,461** |
| Debt securities issued | **1,206** |
| Other | **5,878** |
| Total liabilities held for sale | **27,803** |
| Cumulative other comprehensive income related to held for sale assets and liabilities | **(263)** |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 35 Other assets (continued)

### (3) Right-of-use assets

| | Bank premises | Others | Total |
|---|---|---|---|
| **Cost** | | | |
| As at 1 January 2023 | 47,694 | 142 | 47,836 |
| Additions | 9,212 | 439 | 9,651 |
| Other movements | (7,266) | (431) | (7,697) |
| As at 31 December 2023 | 49,640 | 150 | 49,790 |
| **Accumulated depreciation** | | | |
| As at 1 January 2023 | (21,769) | (95) | (21,864) |
| Charge for the year | (7,794) | (43) | (7,837) |
| Other movements | 5,833 | 46 | 5,879 |
| As at 31 December 2023 | (23,730) | (92) | (23,822) |
| **Allowances for impairment losses (Note 36)** | | | |
| As at 1 January 2023 | – | – | – |
| Charge for the year | (250) | – | (250) |
| As at 31 December 2023 | (250) | – | (250) |
| **Net carrying value** | | | |
| As at 1 January 2023 | 25,925 | 47 | 25,972 |
| As at 31 December 2023 | 25,660 | 58 | 25,718 |

| | Bank premises | Others | Total |
|---|---|---|---|
| **Cost** | | | |
| As at 1 January 2022 | 43,543 | 98 | 43,641 |
| Additions | 8,651 | 54 | 8,705 |
| Other movements | (4,500) | (10) | (4,510) |
| As at 31 December 2022 | 47,694 | 142 | 47,836 |
| **Accumulated depreciation** | | | |
| As at 1 January 2022 | (17,174) | (51) | (17,225) |
| Charge for the year | (7,707) | (54) | (7,761) |
| Other movements | 3,112 | 10 | 3,122 |
| As at 31 December 2022 | (21,769) | (95) | (21,864) |
| **Net carrying value** | | | |
| As at 1 January 2022 | 26,369 | 47 | 26,416 |
| As at 31 December 2022 | 25,925 | 47 | 25,972 |

Other movements include exchange differences.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 35 Other assets (continued)

### (4) Insurance related assets

The total for groups of insurance contracts issued and reinsurance contracts that are assets as follows:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Insurance contracts issued | | |
| – Insurance contracts issued not applying the premium allocation approach | 28 | 30 |
| – Insurance contracts issued applying the premium allocation approach | – | – |
| Subtotal | 28 | 30 |
| Reinsurance contracts held | | |
| – Reinsurance contracts held not applying the premium allocation approach | 11,994 | 10,731 |
| – Reinsurance contracts held applying the premium allocation approach | 1,131 | 817 |
| Subtotal | 13,125 | 11,548 |
| Total | 13,153 | 11,578 |

## 36 Movements of allowances for impairment losses

| | | 2023 | | | | |
|---|---|---|---|---|---|---|
| | Note | As at 1 January | (Reversal)/ charge for the year | Transfer in/(out) | Write-offs and others | As at 31 December |
| Deposits with banks and non-bank financial institutions | 21 | 338 | (183) | 5 | – | 160 |
| Precious metals | | 5 | (4) | – | – | 1 |
| Placements with banks and non-bank financial institutions | 22 | 933 | 15 | 3 | – | 951 |
| Financial assets held under resale agreements | 24 | 206 | (44) | – | – | 162 |
| Loans and advances to customers measured at amortised cost | 25 | 704,088 | 145,953 | (18,429) | (53,389) | 778,223 |
| Financial assets measured at amortised cost | 26(2)(a) | 34,868 | (7,468) | (931) | (1,623) | 24,846 |
| Long-term equity investments | 27 | 44 | – | – | – | 44 |
| Fixed assets | 29 | 1,270 | 225 | 23 | (51) | 1,467 |
| Land use rights | 31 | 133 | – | – | – | 133 |
| Intangible assets | 32 | 9 | – | – | – | 9 |
| Goodwill | 33 | 365 | 2 | 42 | – | 409 |
| Other assets | 35 | 9,672 | 6,452 | (5) | (3,143) | 12,976 |
| Total | | 751,931 | 144,948 | (19,292) | (58,206) | 819,381 |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 36 Movements of allowances for impairment losses (continued)

| | | 2022 | | | | |
|---|---|---|---|---|---|---|
| | Note | As at 1 January | Charge/ (reversal) for the year | Transfer in/(out) | Write-offs and others | As at 31 December |
| Deposits with banks and non-bank financial institutions | 21 | 125 | 213 | – | – | 338 |
| Precious metals | | 13 | (8) | – | – | 5 |
| Placements with banks and non-bank financial institutions | 22 | 492 | 422 | 19 | – | 933 |
| Financial assets held under resale agreements | 24 | 92 | 114 | – | – | 206 |
| Loans and advances to customers measured at amortised cost | 25 | 637,338 | 137,694 | (19,510) | (51,434) | 704,088 |
| Financial assets measured at amortised cost | 26(2)(a) | 34,225 | 1,869 | 660 | (1,886) | 34,868 |
| Long-term equity investments | 27 | – | 44 | – | – | 44 |
| Fixed assets | 29 | 790 | 444 | 38 | (2) | 1,270 |
| Land use rights | 31 | 135 | – | – | (2) | 133 |
| Intangible assets | 32 | 9 | – | – | – | 9 |
| Goodwill | 33 | 321 | – | 44 | – | 365 |
| Other assets | 35 | 6,650 | 5,197 | 52 | (2,227) | 9,672 |
| Total | | 680,190 | 145,989 | (18,697) | (55,551) | 751,931 |

Transfer in/(out) includes exchange differences.

## 37 Borrowings from central banks

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| The Chinese mainland | 1,076,813 | 732,001 |
| Overseas | 68,183 | 34,882 |
| Accrued interest | 10,638 | 7,896 |
| Total | 1,155,634 | 774,779 |

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 38 Deposits from banks and non-bank financial institutions

### (1) Analysed by type of counterparties

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Banks | 307,642 | 243,754 |
| Non-bank financial institutions | 2,467,534 | 2,326,601 |
| Accrued interest | 16,890 | 13,916 |
| Total | 2,792,066 | 2,584,271 |

### (2) Analysed by geographical sectors

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| The Chinese mainland | 2,650,649 | 2,422,967 |
| Overseas | 124,527 | 147,388 |
| Accrued interest | 16,890 | 13,916 |
| Total | 2,792,066 | 2,584,271 |

## 39 Placements from banks and non-bank financial institutions

### (1) Analysed by type of counterparties

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Banks | 379,252 | 328,899 |
| Non-bank financial institutions | 24,546 | 34,747 |
| Accrued interest | 3,924 | 2,114 |
| Total | 407,722 | 365,760 |

### (2) Analysed by geographical sectors

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| The Chinese mainland | 136,631 | 157,209 |
| Overseas | 267,167 | 206,437 |
| Accrued interest | 3,924 | 2,114 |
| Total | 407,722 | 365,760 |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 40 Financial liabilities measured at fair value through profit or loss

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Financial liabilities related to precious metals | **12,218** | 14,239 |
| Structured financial instruments | **239,961** | 274,861 |
| Total | **252,179** | 289,100 |

The structured financial instruments of the Group's financial liabilities measured at fair value through profit or loss are designated as financial liabilities measured at fair value through profit or loss. As at the end of the reporting period, the difference between the fair value of these financial liabilities and the contractual payables at maturity was not material. The amounts of changes in the fair value of these financial liabilities that were attributable to changes in credit risk were considered not significant during the year presented and cumulatively as at 31 December 2023 and 2022.

## 41 Financial assets sold under repurchase agreements

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

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Debt securities | | |
| – Government bonds | **212,452** | 229,422 |
| – Debt securities issued by policy banks, banks and non-bank financial institutions | **16,909** | 7,480 |
| – Corporate bonds | **3,405** | 5,012 |
| Subtotal | **232,766** | 241,914 |
| Discounted bills | **1,440** | 585 |
| Accrued interest | **372** | 177 |
| Total | **234,578** | 242,676 |

## 42 Deposits from customers

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Demand deposits | | |
| – Corporate customers | **6,559,979** | 6,726,781 |
| – Personal customers | **5,582,096** | 5,456,284 |
| Subtotal | **12,142,075** | 12,183,065 |
| Time deposits (including call deposits) | | |
| – Corporate customers | **5,602,122** | 4,647,535 |
| – Personal customers | **9,479,107** | 7,790,643 |
| Subtotal | **15,081,229** | 12,438,178 |
| Accrued interest | **430,707** | 399,564 |
| Total | **27,654,011** | 25,020,807 |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 42 Deposits from customers (continued)

Deposits from customers include:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| (1) Pledged deposits | | |
| – Deposits for acceptance | 163,527 | 187,434 |
| – Deposits for guarantee | 32,856 | 35,996 |
| – Deposits for letter of credit | 42,944 | 22,923 |
| – Others | 143,019 | 162,252 |
| Total | 382,346 | 408,605 |
| (2) Outward remittance and remittance payables | 15,577 | 19,576 |

## 43 Accrued staff costs

| | Note | 2023 As at 1 January | Increased | Decreased | As at 31 December |
|---|---|---|---|---|---|
| Salaries, bonuses, allowances and subsidies | | 33,632 | 85,432 | (81,903) | 37,161 |
| Housing funds | | 282 | 7,997 | (7,975) | 304 |
| Union running costs and employee education costs | | 8,113 | 3,421 | (2,802) | 8,732 |
| Post-employment benefits | (1) | 799 | 16,550 | (16,460) | 889 |
| Early retirement benefits | | 858 | 10 | (75) | 793 |
| Compensation to employees for termination of employment relationship | | – | 11 | (11) | – |
| Others | (2) | 5,671 | 15,907 | (16,889) | 4,689 |
| Total | | 49,355 | 129,328 | (126,115) | 52,568 |

| | Note | 2022 As at 1 January | Increased | Decreased | As at 31 December |
|---|---|---|---|---|---|
| Salaries, bonuses, allowances and subsidies | | 27,716 | 84,349 | (78,433) | 33,632 |
| Housing funds | | 308 | 7,567 | (7,593) | 282 |
| Union running costs and employee education costs | | 6,907 | 3,302 | (2,096) | 8,113 |
| Post-employment benefits | (1) | 637 | 15,861 | (15,699) | 799 |
| Early retirement benefits | | 918 | 12 | (72) | 858 |
| Compensation to employees for termination of employment relationship | | – | 7 | (7) | – |
| Others | (2) | 4,512 | 15,815 | (14,656) | 5,671 |
| Total | | 40,998 | 126,913 | (118,556) | 49,355 |

The Group had no overdue balance of accrued staff costs as at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 43 Accrued staff costs (continued)

### (1) Post-employment benefits

#### (a) *Defined contribution plans*

| | 2023 | | | |
|---|---|---|---|---|
| | **As at 1 January** | **Increased** | **Decreased** | **As at 31 December** |
| Basic pension insurance | **485** | **10,072** | **(10,025)** | **532** |
| Unemployment insurance | **51** | **351** | **(338)** | **64** |
| Annuity contribution | **872** | **6,073** | **(6,078)** | **867** |
| Total | **1,408** | **16,496** | **(16,441)** | **1,463** |

| | 2022 | | | |
|---|---|---|---|---|
| | As at 1 January | Increased | Decreased | As at 31 December |
| Basic pension insurance | 732 | 9,460 | (9,707) | 485 |
| Unemployment insurance | 45 | 313 | (307) | 51 |
| Annuity contribution | 721 | 5,776 | (5,625) | 872 |
| Total | 1,498 | 15,549 | (15,639) | 1,408 |

There were no contributions into the Group's basic retirement insurance and annuity scheme that had been forfeited and that could be used to deduct contributions payable by the Group according to the above plans.

#### (b) *Defined benefit plans – Supplementary retirement benefits*

The Group's obligations in respect of the supplementary retirement benefits as at the end of the reporting period were calculated using the projected unit credit method and reviewed by an external independent actuary, Towers Watson Management Consulting (ShenZhen) Co., Ltd.

| | **Present value of defined benefit plan obligations** | | **Fair value of plan assets** | | **Net assets of defined benefit plans** | |
|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| As at 1 January | **4,685** | 5,083 | **5,294** | 5,944 | **(609)** | (861) |
| Cost of the net defined benefit liability in profit or loss | | | | | | |
| – *Interest costs* | **119** | 134 | **138** | 157 | **(19)** | (23) |
| Remeasurements of the defined benefit liability in other comprehensive income | | | | | | |
| – *Actuarial losses/(gains)* | **7** | (37) | **–** | – | **7** | (37) |
| – *Returns on plan assets* | **–** | – | **(47)** | (312) | **47** | 312 |
| Other changes | | | | | | |
| – *Benefits paid* | **(468)** | (495) | **(468)** | (495) | **–** | – |
| As at 31 December | **4,343** | 4,685 | **4,917** | 5,294 | **(574)** | (609) |

Interest cost was recognised in operating expenses.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 43 Accrued staff costs (continued)

### (1) Post-employment benefits (continued)

*(b) Defined benefit plans – Supplementary retirement benefits (continued)*

*(i) Principal actuarial assumptions of the Group as at the end of the reporting period were as follows:*

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Discount rate | **2.50%** | 2.75% |
| Health care cost increase rate | **7.00%** | 7.00% |
| Average expected future lifetime of eligible employees | **10.4 years** | 10.2 years |

Mortality assumptions are based on China Life Insurance Mortality Table (2010-2013). The Table published historical statistics in China.

*(ii) The sensitivity analysis of the present value of supplementary retirement benefit obligations to changes in the weighted principal assumption is:*

| | Impact on present value of supplementary retirement benefit obligations | |
|---|---|---|
| | Increase in assumption by 0.25% | Decrease in assumption by 0.25% |
| Discount rate | **(83)** | **87** |
| Health care cost increase rate | **36** | **(34)** |

*(iii) As at 31 December 2023, the weighted average duration of supplementary retirement benefit obligations of the Group was 7.8 years (as at 31 December 2022: 7.8 years).*

*(iv) Plan assets of the Group are as follows:*

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Cash and cash equivalents | **975** | 621 |
| Equity instruments | **691** | 474 |
| Debt instruments and others | **3,251** | 4,199 |
| Total | **4,917** | 5,294 |

(2) Accrued staff costs – others mainly include employee welfare, medical insurance, maternity insurance and employment injury insurance.

## 44 Taxes payable

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Income tax | **61,036** | 71,077 |
| Value added tax | **10,240** | 10,591 |
| Others | **2,304** | 2,501 |
| Total | **73,580** | 84,169 |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 45 Provisions

| | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| Expected credit losses on the off-balance sheet credit business | (1) | **34,600** | 40,742 |
| Expected losses from other businesses | (2) | **8,744** | 9,984 |
| Total | | **43,344** | 50,726 |

### (1) Movements of the provisions – expected credit losses on the off-balance sheet credit business:

| | | **2023** | | | |
|---|---|---|---|---|---|
| | Note | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| As at 1 January 2023 | | **33,557** | **5,587** | **1,598** | **40,742** |
| Transfers: | | | | | |
| Transfers in/(out) to Stage 1 | | **530** | **(529)** | **(1)** | **–** |
| Transfers in/(out) to Stage 2 | | **(145)** | **154** | **(9)** | **–** |
| Transfers in/(out) to Stage 3 | | **(10)** | **(2)** | **12** | **–** |
| Newly originated | | **14,712** | **–** | **–** | **14,712** |
| Decreased | | **(19,426)** | **(4,116)** | **(824)** | **(24,366)** |
| Remeasurements | (a) | **(833)** | **3,688** | **657** | **3,512** |
| As at 31 December 2023 | | **28,385** | **4,782** | **1,433** | **34,600** |

| | | 2022 | | | |
|---|---|---|---|---|---|
| | Note | Stage 1 | Stage 2 | Stage 3 | Total |
| As at 1 January 2022 | | 28,193 | 5,620 | 702 | 34,515 |
| Transfers: | | | | | |
| Transfers in/(out) to Stage 1 | | 473 | (471) | (2) | – |
| Transfers in/(out) to Stage 2 | | (85) | 131 | (46) | – |
| Transfers in/(out) to Stage 3 | | (2) | (402) | 404 | – |
| Newly originated | | 23,964 | – | – | 23,964 |
| Decreased | | (15,279) | (4,248) | (306) | (19,833) |
| Remeasurements | (a) | (3,707) | 4,957 | 846 | 2,096 |
| As at 31 December 2022 | | 33,557 | 5,587 | 1,598 | 40,742 |

(a) Remeasurements comprise the impact of changes in PD, LGD, and EAD; changes in model assumptions and methodologies; changes in allowance for impairment losses due to stage-transfer; and the impact of exchange rate changes.

(2) Other businesses include off-balance sheet businesses other than the off-balance sheet credit business, outstanding litigations and the precious metal leasing business.

## 46 Debt securities issued

| | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| Certificates of deposit issued | (1) | **1,242,136** | 1,023,084 |
| Bonds issued | (2) | **141,430** | 154,396 |
| Subordinated bonds issued | (3) | **11,998** | 7,999 |
| Eligible Tier 2 capital bonds issued | (4) | **491,427** | 453,197 |
| Accrued interest | | **8,744** | 8,194 |
| Total | | **1,895,735** | 1,646,870 |

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 46 Debt securities issued (continued)

(1) Certificates of deposit issued were mainly issued by the head office, overseas branches, CCB Europe, CCB New Zealand and CCB International.

### (2) Bonds issued

| Issue date | Maturity date | Interest rate per annum | Issue place | Currency | 31 December 2023 | 31 December 2022 |
|---|---|---|---|---|---|---|
| 18/11/2014 | 18/11/2024 | 4.08% | Taiwan | RMB | **599** | 600 |
| 08/06/2018 | 08/06/2023 | 3M LIBOR+0.83% | Hong Kong | USD | **–** | 4,140 |
| 19/06/2018 | 19/06/2023 | 4.01% | Auckland | NZD | **–** | 439 |
| 12/07/2018 | 12/07/2023 | 3M LIBOR+1.25% | Hong Kong | USD | **–** | 2,760 |
| 21/08/2018 | 19/06/2023 | 4.005% | Auckland | NZD | **–** | 154 |
| 16/05/2019 | 16/05/2024 | 3.50% | Hong Kong | USD | **3,337** | 2,962 |
| 16/05/2019 | 16/05/2029 | 3.88% | Hong Kong | USD | **1,422** | 1,380 |
| 26/08/2019 | 26/08/2024 | 3.40% | The Chinese mainland | RMB | **3,000** | 3,000 |
| 11/09/2019 | 16/05/2024 | 3.50% | Hong Kong | USD | **1,635** | 1,937 |
| 24/10/2019 | 24/10/2024 | SOFR+1.03161% | Hong Kong | USD | **4,765** | 4,616 |
| 22/11/2019 | 22/11/2024 | 2.393% | Auckland | NZD | **382** | 373 |
| 16/03/2020 | 15/03/2023 | 2.68% | The Chinese mainland | RMB | **–** | 7,000 |
| 16/03/2020 | 15/03/2025 | 2.75% | The Chinese mainland | RMB | **5,000** | 5,000 |
| 21/07/2020 | 21/07/2025 | 1.99% | Hong Kong | USD | **3,213** | 3,073 |
| 25/09/2020 | 25/09/2023 | 0.954% | Auckland | NZD | **–** | 658 |
| 28/09/2020 | 28/09/2025 | 1.78% | Hong Kong | USD | **1,422** | 1,380 |
| 28/09/2020 | 28/09/2030 | 2.55% | Hong Kong | USD | **711** | 690 |
| 27/10/2020 | 29/10/2023 | 3.50% | The Chinese mainland | RMB | **–** | 20,000 |
| 03/11/2020 | 05/11/2023 | 3.70% | The Chinese mainland | RMB | **–** | 2,600 |
| 26/01/2021 | 26/01/2024 | 3.30% | The Chinese mainland | RMB | **20,000** | 20,000 |
| 02/02/2021 | 04/02/2024 | 3.65% | The Chinese mainland | RMB | **2,240** | 2,240 |
| 07/04/2021 | 12/04/2024 | 3.55% | The Chinese mainland | RMB | **2,200** | 2,200 |
| 22/04/2021 | 22/04/2023 | 2.85% | Singapore | RMB | **–** | 1,997 |
| 22/04/2021 | 22/04/2024 | 0.043% | Luxembourg | EUR | **6,279** | 5,909 |
| 22/04/2021 | 22/04/2024 | 0.86% | Hong Kong | USD | **4,266** | 4,140 |
| 22/04/2021 | 22/04/2026 | 1.46% | Hong Kong | USD | **3,910** | 3,795 |
| 27/05/2021 | 01/06/2024 | 3.33% | The Chinese mainland | RMB | **1,950** | 1,950 |
| 28/06/2021 | 28/06/2024 | 0.06% | Luxembourg | EUR | **6,279** | 5,909 |
| 22/07/2021 | 22/07/2026 | 1.80% | Hong Kong | USD | **3,272** | 3,276 |
| 15/09/2021 | 15/09/2026 | 1.60% | Hong Kong | USD | **2,489** | 2,446 |
| 29/09/2021 | 29/09/2026 | 1.50% | Hong Kong | USD | **4,979** | 4,825 |
| 21/12/2021 | 21/12/2024 | SOFR+0.50% | Hong Kong | USD | **3,551** | 3,443 |
| 17/05/2022 | 17/05/2025 | 3.125% | Hong Kong | USD | **7,110** | 6,900 |
| 17/05/2022 | 17/05/2024 | 3.40% | United Kingdom | RMB | **998** | 1,000 |
| 23/05/2022 | 25/05/2025 | 2.60% | The Chinese mainland | RMB | **10,000** | 10,000 |
| 13/06/2022 | 13/06/2024 | 2.85% | Singapore | SGD | **1,886** | 1,795 |
| 12/12/2022 | 14/12/2025 | 2.92% | The Chinese mainland | RMB | **10,000** | 10,000 |
| 09/02/2023 | 09/02/2026 | 3M New Zealand benchmark interest rate +1.10% | Auckland | NZD | **1,011** | – |
| 22/03/2023 | 24/03/2026 | 2.80% | The Chinese mainland | RMB | **10,000** | – |
| 31/05/2023 | 31/05/2025 | 2.80% | United Kingdom | RMB | **1,996** | – |
| 02/11/2023 | 02/11/2027 | 3M New Zealand benchmark interest rate +1.20% | Auckland | NZD | **674** | – |
| 24/11/2023 | 24/11/2026 | 4.08% | Luxembourg | EUR | **785** | – |
| 30/11/2023 | 30/11/2026 | 4.00% | Luxembourg | EUR | **2,355** | – |
| 30/11/2023 | 30/11/2026 | SOFR+0.65% | Dubai | USD | **4,266** | – |
| 30/11/2023 | 30/11/2026 | 5.00% | Hong Kong | USD | **3,555** | – |
| Total nominal value | | | | | **141,537** | 154,587 |
| Less: Unamortised issuance costs | | | | | **(107)** | (191) |
| Carrying value | | | | | **141,430** | 154,396 |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 46 Debt securities issued (continued)

### (3) Subordinated bonds issued

The carrying value of the Group's subordinated bonds issued upon the approval of the PBC and the NFRA is as follows:

| Issue date | Maturity date | Interest rate per annum | Currency | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|---|---|---|
| 28/01/2021 | 01/02/2031 | 4.30% | RMB | (a) | **6,000** | 6,000 |
| 18/03/2022 | 22/03/2032 | 3.70% | RMB | (b) | **2,000** | 2,000 |
| 13/09/2023 | 14/09/2033 | 3.45% | RMB | (c) | **4,000** | – |
| Total nominal value | | | | | **12,000** | 8,000 |
| Less: Unamortised issuance cost | | | | | **(2)** | (1) |
| Carrying value | | | | | **11,998** | 7,999 |

(a) The Group has an option to redeem part or all of the bonds on 1 February 2026, subject to registration from the PBC and the NFRA.

(b) The Group has an option to redeem part or all of the bonds on 22 March 2027, subject to registration from the PBC and the NFRA.

(c) The Group has an option to redeem part or all of the bonds on 14 September 2028, subject to registration from the PBC and the NFRA.

### (4) Eligible Tier 2 capital bonds issued

| Issue date | Maturity date | Interest rate per annum | Currency | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|---|---|---|
| 18/08/2014 | 18/08/2029 | 5.98% | RMB | (a) | **20,000** | 20,000 |
| 25/09/2018 | 25/09/2028 | 4.86% | RMB | (b) | **–** | 43,000 |
| 29/10/2018 | 29/10/2028 | 4.70% | RMB | (c) | **–** | 40,000 |
| 27/02/2019 | 27/02/2029 | 4.25% | USD | (d) | **13,124** | 12,765 |
| 24/06/2020 | 24/06/2030 | 2.45% | USD | (e) | **14,219** | 13,800 |
| 10/09/2020 | 14/09/2030 | 4.20% | RMB | (f) | **65,000** | 65,000 |
| 06/08/2021 | 10/08/2031 | 3.45% | RMB | (g) | **65,000** | 65,000 |
| 06/08/2021 | 10/08/2036 | 3.80% | RMB | (h) | **15,000** | 15,000 |
| 05/11/2021 | 09/11/2031 | 3.60% | RMB | (i) | **35,000** | 35,000 |
| 05/11/2021 | 09/11/2036 | 3.80% | RMB | (j) | **10,000** | 10,000 |
| 10/12/2021 | 14/12/2031 | 3.48% | RMB | (k) | **12,000** | 12,000 |
| 10/12/2021 | 14/12/2036 | 3.74% | RMB | (l) | **8,000** | 8,000 |
| 13/01/2022 | 21/01/2032 | 2.85% | USD | (m) | **14,219** | 13,800 |
| 15/06/2022 | 17/06/2032 | 3.45% | RMB | (n) | **45,000** | 45,000 |
| 15/06/2022 | 17/06/2037 | 3.65% | RMB | (o) | **15,000** | 15,000 |
| 03/11/2022 | 07/11/2032 | 3.00% | RMB | (p) | **25,000** | 25,000 |
| 03/11/2022 | 07/11/2037 | 3.34% | RMB | (q) | **15,000** | 15,000 |
| 24/03/2023 | 28/03/2033 | 3.49% | RMB | (r) | **5,000** | – |
| 24/03/2023 | 28/03/2038 | 3.61% | RMB | (s) | **15,000** | – |
| 24/10/2023 | 26/10/2033 | 3.45% | RMB | (t) | **45,000** | – |
| 24/10/2023 | 26/10/2038 | 3.53% | RMB | (u) | **15,000** | – |
| 14/11/2023 | 16/11/2033 | 3.30% | RMB | (v) | **25,000** | – |
| 14/11/2023 | 16/11/2038 | 3.42% | RMB | (w) | **15,000** | – |
| Total nominal value | | | | | **491,562** | 453,365 |
| Less: Unamortised issuance cost | | | | | **(135)** | (168) |
| Carrying value | | | | | **491,427** | 453,197 |

## 46 Debt securities issued (continued)

### (4) Eligible Tier 2 capital bonds issued (continued)

(a) The Group has an option to redeem the bonds on 18 August 2024, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(b) The Group has chosen to exercise the option to redeem all the bonds on 25 September 2023.

(c) The Group has chosen to exercise the option to redeem all the bonds on 29 October 2023.

(d) The Group has an option to redeem the bonds on 27 February 2024, subject to approval from the relevant authority. If they are not redeemed by the Group, the interest rate will be reset on 27 February 2024 and increase by 1.88% on the basis of the five-year USD treasury benchmark applicable on the interest reset date. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(e) The Group has an option to redeem the bonds on 24 June 2025, subject to approval from the relevant authority. If they are not redeemed by the Group, the interest rate will be reset on 24 June 2025 and increase by 2.15% on the basis of the five-year USD treasury benchmark applicable on the interest reset date. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(f) The Group has an option to redeem the bonds on 14 September 2025, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(g) The Group has an option to redeem the bonds on 10 August 2026, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(h) The Group has an option to redeem the bonds on 10 August 2031, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(i) The Group has an option to redeem the bonds on 9 November 2026, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(j) The Group has an option to redeem the bonds on 9 November 2031, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(k) The Group has an option to redeem the bonds on 14 December 2026, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(l) The Group has an option to redeem the bonds on 14 December 2031, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(m) The Group has an option to redeem the bonds on 21 January 2027, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(n) The Group has an option to redeem the bonds on 17 June 2027, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(o) The Group has an option to redeem the bonds on 17 June 2032, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(p) The Group has an option to redeem the bonds on 7 November 2027, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(q) The Group has an option to redeem the bonds on 7 November 2032, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(r) The Group has an option to redeem the bonds on 28 March 2028, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(s) The Group has an option to redeem the bonds on 28 March 2033 subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 46 Debt securities issued (continued)

### (4) Eligible Tier 2 capital bonds issued (continued)

(t) The Group has an option to redeem the bonds on 26 October 2028 subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(u) The Group has an option to redeem the bonds on 26 October 2033 subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(v) The Group has an option to redeem the bonds on 16 November 2028 subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(w) The Group has an option to redeem the bonds on 16 November 2033, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

## 47 Other liabilities

| | Note | **31 December 2023** | 31 December 2022 |
|---|---|---|---|
| Insurance related liabilities | (1) | **252,327** | 232,874 |
| Liabilities held for sale | (2) | **27,803** | – |
| Payment and collection clearance accounts | | **25,830** | 33,086 |
| Lease liabilities | (3) | **24,216** | 23,733 |
| Deferred income | | **17,053** | 17,128 |
| Accrued expenses advance | | **8,916** | 8,431 |
| Dormant accounts | | **8,195** | 8,922 |
| Clearing and settlement accounts | | **5,980** | 33,458 |
| Capital expenditure payable | | **5,587** | 5,920 |
| Cash pledged and rental prepayments | | **3,697** | 4,830 |
| Others | | **168,139** | 199,944 |
| Total | | **547,743** | 568,326 |

### (1) Insurance related liabilities

The total for groups of insurance contracts issued and reinsurance contracts that are liabilities as follows:

| | **31 December 2023** | 31 December 2022 |
|---|---|---|
| Insurance contracts issued | | |
| – Insurance contracts issued not applying the premium allocation approach | **250,524** | 231,088 |
| – Insurance contracts issued applying the premium allocation approach | **1,803** | 1,782 |
| Subtotal | **252,327** | 232,870 |
| Reinsurance contracts held | | |
| – Reinsurance contracts held not applying the premium allocation approach | **–** | – |
| – Reinsurance contracts held applying the premium allocation approach | **–** | 4 |
| Subtotal | **–** | 4 |
| Total | **252,327** | 232,874 |

(2) For information on liabilities held for sale, please refer to Note 35(2).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 47 Other liabilities (continued)

### (3) Lease liabilities

Maturity analysis – undiscounted analysis

| | **31 December 2023** | 31 December 2022 |
|---|---|---|
| Within one year | **6,705** | 6,837 |
| Between one year and five years | **14,565** | 14,554 |
| More than five years | **6,244** | 6,647 |
| Total undiscounted lease liabilities | **27,514** | 28,038 |
| Lease liabilities | **24,216** | 23,733 |

## 48 Share capital

| | **31 December 2023** | 31 December 2022 |
|---|---|---|
| Listed in Hong Kong (H shares) | **240,417** | 240,417 |
| Listed in the Chinese mainland (A shares) | **9,594** | 9,594 |
| Total | **250,011** | 250,011 |

All H and A shares are ordinary shares, have a par value of RMB1 per share and rank pari passu with the same rights and benefits.

## 49 Other equity instruments

### (1) Preference shares

#### *(a) Preference shares outstanding as at the end of the reporting period*

| Financial instrument outstanding | Issuance date | Classification | Year-end dividend rate | Issuance price | Quantity (million shares) | Currency | Total amount | Maturity date | Redemption/ conversion |
|---|---|---|---|---|---|---|---|---|---|
| 2017 Domestic Preference Shares | 21 December 2017 | Equity instruments | 3.57% | 100 per share | 600 | RMB | 60,000 | No maturity date | None |
| Less: Issuance fee | | | | | | | (23) | | |
| Carrying amount | | | | | | | 59,977 | | |

#### *(b) The key terms*

*Dividend*

The nominal dividend rate of the Domestic Preference Shares is adjusted on a phase-by-phase basis. It is the sum of the benchmark rate plus the fixed interest spread, and is adjusted every five years. The fixed interest spread is determined as the nominal dividend rate set for issuance less the benchmark rate at the time of issuance, and will not be subject to future adjustments. The dividends for domestic preference shares are non-cumulative. The Bank has the right to cancel dividend distribution on Domestic Preference Shares, and the cancellation does not constitute a default event. The Bank may, at its discretion, use the cancelled dividends to repay other indebtedness due and payable. If the Bank cancels all or part of the dividends on the Domestic Preference Shares, the Bank shall make no profit distribution to shareholders holding ordinary shares from the day after the cancellation proposal is adopted by the General Shareholders' Meeting to the day when full distribution of dividends is resumed. The cancellation of dividends on Domestic Preference Shares will not constitute other restrictions to the Bank except for the distribution of dividends to ordinary shareholders.

The dividends on the Domestic Preference Shares are distributed annually.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 49 Other equity instruments (continued)

### (1) Preference shares (continued)

#### (b) *The key terms (continued)*

*Redemption*

The Bank may, subject to the NFRA's approval and compliance with the redemption preconditions, redeem in whole or in part of the Domestic Preference Shares after at least five years from the completion date of the issuance (i.e., 27 December 2017). The redemption period begins from the first day of the redemption and ends on the day when all Domestic Preference Shares are redeemed or converted. The redemption price of the Domestic Preference Shares shall be their issue price plus any dividends accrued but unpaid in the current period.

*Compulsory conversion of preference shares*

If an Additional Tier 1 Capital Instrument Trigger Event occurs, i.e., the Core Tier 1 Capital Adequacy Ratio of the Bank has fallen to 5.125% or below, the Bank has the right to, without prior consent from the shareholders of the domestic preference shares and as agreed, convert all or part of the domestic preference shares issued and outstanding to ordinary A shares, to restore the Bank's Core Tier 1 Capital Adequacy Ratio to above the trigger point (i.e., 5.125%). In the case of partial conversion, the domestic preference shares shall be subject to the same proportion and conditions of conversion. Once domestic preference shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances.

When a Tier 2 Capital Instrument Trigger Event occurs, the Bank has the right to, without prior consent of the shareholders of the Domestic Preference Shares and as agreed, convert all the Domestic Preference Shares issued and outstanding to ordinary A shares. Once Domestic Preference Shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances. A Tier 2 Capital Instrument Trigger Event is the earlier of the following two scenarios: (i) the NFRA having decided that without a conversion or write-off of the Bank's capital, the Bank would become non-viable; and (ii) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. When the compulsory conversion of preference shares occurs, the Bank shall report to the NFRA for approval and decision, and perform the announcement obligation according to the regulations of the Securities Law and China Securities Regulatory Commission ("CSRC").

The Bank classified preference shares issued as an equity instrument and presented as an equity item on the statement of financial position. Capital raised from the issuance of the above preference shares, after deduction of the expenses relating to the issuance, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratios.

#### (c) *Changes in preference shares outstanding*

| | 1 January 2023 | | Increase/(Decrease) | | 31 December 2023 | |
|---|---|---|---|---|---|---|
| **Financial instrument outstanding** | **Quantity (million shares)** | **Carrying value** | **Quantity (million shares)** | **Carrying value** | **Quantity (million shares)** | **Carrying value** |
| 2017 Domestic Preference Shares | 600 | 59,977 | – | – | 600 | 59,977 |
| Total | 600 | 59,977 | – | – | 600 | 59,977 |

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 49 Other equity instruments (continued)

### (2) Perpetual bonds

#### (a) *Perpetual bonds outstanding at the end of the year*

| Financial instrument outstanding | Issuance date | Classification | Year-end interest rate | Issuance price | Quantity (million units) | Currency | Total amount | Maturity date | Redemption/ write-down conditions |
|---|---|---|---|---|---|---|---|---|---|
| 2019 Undated Additional Tier 1 Capital Bonds | 13 November 2019 | Equity instruments | 4.22% | 100 per unit | 400 | RMB | 40,000 | No Maturity date | None |
| 2022 Undated Additional Tier 1 Capital Bonds | 29 August 2022 | Equity instruments | 3.20% | 100 per unit | 400 | RMB | 40,000 | No maturity date | None |
| 2023 Undated Additional Tier 1 Capital Bonds (Series 1) | 14 July 2023 | Equity instruments | 3.29% | 100 per unit | 300 | RMB | 30,000 | No maturity date | None |
| 2023 Undated Additional Tier 1 Capital Bonds (Series 2) | 22 September 2023 | Equity instruments | 3.37% | 100 per unit | 300 | RMB | 30,000 | No maturity date | None |
| Less: Issuance fee | | | | | | | (9) | | |
| Carrying amount | | | | | | | 139,991 | | |

#### (b) *The key terms*

*Distribution rate and distribution payment*

The distribution rate of the Undated Additional Tier 1 Capital Bonds (or "the Bonds") will be adjusted at defined intervals, with a distribution rate adjustment period every 5 years since the payment settlement date. In any distribution rate adjusted period, the distribution payments on the Bonds will be made at a prescribed fixed distribution rate. The distribution rate is determined by a benchmark rate plus a fixed interest spread.

The Bank shall have the right to cancel, in whole or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Bank will take into full consideration the interest of the holders of the Bonds. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. In the case of cancelling any distributions on the Bonds, no matter in whole or in part, the Bank shall not make any distribution to the ordinary shareholders from the next day following the resolution being approved by the general shareholders meeting, until its decision to resume the distribution payments in whole to the holders of the Bonds. The distributions on the Bonds are non-cumulative, namely, upon cancellation, any amount of distribution unpaid to the holders of the Bonds in the applicable period will not accumulate or compound to the subsequent distribution period thereafter.

The distributions of the Bonds will be payable annually.

*Conditional redemption rights of the Bank*

From the fifth anniversary since the issuance of the Bonds, the Bank may redeem whole or part of the Bonds on each distribution payment date (including the fifth distribution payment date since the issuance). If, after the issuance, the Bonds no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the whole but not part of the Bonds.

The exercise of the Bank's redemption right shall be subject to the consent of the NFRA and the satisfaction of the following preconditions: (i) the Bank shall use capital instruments of the same or better quality to replace the instruments to be redeemed, and such replacement shall only be carried out at conditions which are sustainable for the income capacity; (ii) or the capital position of the Bank after the redemption right is exercised will remain well above the regulatory capital requirements stipulated by the NFRA.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 49 Other equity instruments (continued)

### (2) Perpetual bonds (continued)

#### *(b) The key terms (continued)*

*Write-down/write-off clauses*

For 2019 Undated Additional Tier 1 Capital Bonds, upon the occurrence of an Additional Tier 1 Capital Trigger Event, namely, the Bank's Core Tier 1 Capital Adequacy Ratio having fallen to 5.125% (or below), the Bank has the right, subject to the approval of the NFRA but without the need for the consent of the holders of the Bonds, to write down whole or part of the aggregate amount of the Bonds then issued and outstanding, in order to restore the Core Tier 1 Capital Adequacy Ratio to above 5.125%. In the case of a partial write-down, all of the Bonds then issued and outstanding shall be written down on a pro rata basis, according to the outstanding amount, with all other Additional Tier 1 Capital instruments with equivalent write-down clauses of the Bank. Upon the occurrence of a Tier 2 Capital Trigger Event, the Bank has the right to write off in whole, without the need for the consent of the holders of the Bonds, the aggregate amount of the Bonds then issued and outstanding. A Tier 2 Capital Trigger Event refers to the earlier of the following events: (i) the NFRA having decided that the Bank would become non-viable without a write-off; (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. Upon write-off of the bonds, such bonds are to be permanently cancelled and will not be restored under any circumstances.

For 2022 and 2023 Undated Additional Tier 1 Capital Bonds, upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write down/write off in whole or in part, without the need for consent of the holders of the Bonds, the principal amount of the Bonds. The amount of the write-down/write-off shall be determined by the ratio of the outstanding principal amount of the Undated Additional Tier 1 Capital Bonds to the aggregate principal amount of all additional tier 1 capital instruments with the identical Trigger Event. A Non-Viability Trigger Event refers to the earlier of the following events: (i) the NFRA having decided that the Bank would become non-viable without a write-down/write-off; (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. The write-down/write-off will not be restored.

*Subordination*

The claims in respect of the Bonds will be subordinated to the claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Bonds; will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

The Bank classified the Bonds issued as an equity instrument and presented as an equity item on the statement of financial position. Capital raised from the issuance of the Bonds, after deduction of the expenses relating to the issuance, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratios.

#### *(c) Changes in perpetual bonds outstanding*

| | 1 January 2023 | | Increase/(Decrease) | | 31 December 2023 | |
|---|---|---|---|---|---|---|
| **Financial instrument outstanding** | **Quantity (million units)** | **Carrying value** | **Quantity (million units)** | **Carrying value** | **Quantity (million units)** | **Carrying value** |
| 2019 Undated Additional Tier 1 Capital Bonds | 400 | 39,991 | – | – | 400 | 39,991 |
| 2022 Undated Additional Tier 1 Capital Bonds | 400 | 40,000 | – | – | 400 | 40,000 |
| 2023 Undated Additional Tier 1 Capital Bonds (Series 1) | – | – | 300 | 30,000 | 300 | 30,000 |
| 2023 Undated Additional Tier 1 Capital Bonds (Series 2) | – | – | 300 | 30,000 | 300 | 30,000 |
| Total | 800 | 79,991 | 600 | 60,000 | 1,400 | 139,991 |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 49 Other equity instruments (continued)

### (3) Interests attributable to the holders of equity instruments

| Items | 31 December 2023 | 31 December 2022 |
|---|---|---|
| 1. Total equity attributable to equity holders of the Bank | **3,150,145** | 2,855,450 |
| (1) Equity attributable to ordinary equity holders of the Bank | **2,950,177** | 2,715,482 |
| (2) Equity attributable to other equity holders of the Bank | **199,968** | 139,968 |
| Of which: net profit | **5,110** | 4,538 |
| dividends received | **5,110** | 4,538 |
| 2. Total equity attributable to non-controlling interests | **21,929** | 20,794 |
| (1) Equity attributable to non-controlling interests of ordinary shares | **19,930** | 20,794 |
| (2) Equity attributable to non-controlling interests of other equity instruments | **1,999** | – |

## 50 Capital reserve

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Share premium and others | **135,619** | 135,653 |

## 51 Other comprehensive income

| | Other comprehensive income of the statement of financial position | | | | Other comprehensive income of the statement of comprehensive income | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2023 | | | | |
| | 1 January 2023 | Net-of-tax amount attributable to equity shareholders of the Bank | Other comprehensive income transferred to retained earnings | 31 December 2023 | The amount before Income taxes | Less: Reclassification adjustments included in profit or loss due to disposals | Less: Income taxes | Net-of-tax Amount attributable to equity shareholders of the Bank | Net-of-tax amount attributable to non-controlling interests |
| (1) Other comprehensive income that will not be reclassified to profit or loss | | | | | | | | | |
| Remeasurements of post-employment benefit obligations | (28) | (54) | - | (82) | (54) | - | - | (54) | - |
| Fair value changes of equity instruments designated as measured at fair value through other comprehensive income | 90 | 153 | (26) | 217 | 204 | - | (51) | 153 | - |
| Others | 752 | 39 | - | 791 | 39 | - | - | 39 | - |
| (2) Other comprehensive income that may be reclassified subsequently to profit or loss | | | | | | | | | |
| Fair value changes of debt instruments measured at fair value through other comprehensive income | 16,809 | 6,788 | - | 23,597 | 12,678 | (585) | (4,276) | 6,788 | 1,029 |
| Allowances for credit losses of debt instruments measured at fair value through other comprehensive income | 6,851 | (1,234) | - | 5,617 | (1,645) | - | 411 | (1,234) | - |
| Net gain on cash flow hedges | 505 | 201 | - | 706 | 201 | - | - | 201 | - |
| Exchange difference on translating foreign operations | (3,505) | 3,987 | - | 482 | 4,115 | - | - | 3,987 | 128 |
| Others | (4,071) | (3,276) | - | (7,347) | (8,565) | - | 2,141 | (3,276) | (3,148) |
| Total | 17,403 | 6,604 | (26) | 23,981 | 6,973 | (585) | (1,775) | 6,604 | (1,991) |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 51 Other comprehensive income (continued)

| | Other comprehensive income of the statement of financial position | | | | Other comprehensive income of the statement of comprehensive income | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | 2022 | | | |
| | 1 January 2022 | Net-of-tax amount attributable to equity shareholders of the Bank | 31 December 2022 | The amount before Income taxes | Less: Reclassification adjustments included in profit or loss due to disposals | Less: Income taxes | Net-of-tax Amount attributable to equity shareholders of the Bank | Net-of-tax amount attributable to non-controlling interests |
| (1) Other comprehensive income that will not be reclassified to profit or loss | | | | | | | | |
| Remeasurements of post-employment benefit obligations | 247 | (275) | (28) | (275) | – | – | (275) | – |
| Fair value changes of equity instruments designated as measured at fair value through other comprehensive income | 301 | (211) | 90 | (282) | – | 71 | (211) | – |
| Others | 719 | 33 | 752 | 33 | – | – | 33 | – |
| (2) Other comprehensive income that may be reclassified subsequently to profit or loss | | | | | | | | |
| Fair value changes of debt instruments measured at fair value through other comprehensive income | 29,150 | (12,341) | 16,809 | (15,569) | 15 | 3,469 | (12,341) | 256 |
| Allowances for credit losses of debt instruments measured at fair value through other comprehensive income | 3,700 | 3,151 | 6,851 | 4,205 | – | (1,048) | 3,151 | 6 |
| Net gain on cash flow hedges | 20 | 485 | 505 | 485 | – | – | 485 | – |
| Exchange difference on translating foreign operations | (12,249) | 8,744 | (3,505) | 8,712 | – | – | 8,744 | (32) |
| Others | (2,482) | (1,589) | (4,071) | (4,152) | – | 1,038 | (1,589) | (1,525) |
| Total | 19,406 | (2,003) | 17,403 | (6,843) | 15 | 3,530 | (2,003) | (1,295) |

## 52 Surplus reserve

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund.

The Bank is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF on 15 February 2006. After making appropriations to the statutory surplus reserve fund, the Bank may also allocate its net profit to the discretionary surplus reserve fund upon approval by shareholders in Annual General Meetings.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 53 General reserve

The general reserves of the Group are set up based on the requirements of:

| | Note | **31 December 2023** | 31 December 2022 |
|---|---|---|---|
| MOF | (1) | **484,043** | 431,095 |
| Hong Kong Banking Ordinance | (2) | **2,124** | 2,124 |
| Other regulatory bodies in the Chinese mainland | (3) | **9,379** | 10,867 |
| Other overseas regulatory bodies | | **709** | 700 |
| Total | | **496,255** | 444,786 |

(1) Pursuant to relevant regulations issued by the MOF, the Bank has to appropriate a certain amount of its net profit as general reserves to cover potential losses against its assets. In accordance with the *"Regulation on Management of Financial Institutions for Reserves"* (Cai Jin [2012] No. 20) issued by the MOF on 30 March 2012, the general reserves balance for financial institutions should not be lower than 1.5% of the ending balance of risk assets.

(2) Pursuant to the requirements of the Hong Kong Banking Ordinance, the Group's banking operations in Hong Kong are required to set aside amounts in a regulatory reserve in respect of losses which it will, or may, incur on loans and advances to customers, in addition to impairment losses recognised in accordance with the accounting policies of the Group. Transfers to and from the regulatory reserve are made through retained earnings.

(3) Pursuant to the relevant regulatory requirements in the Chinese mainland, the Bank's subsidiaries are required to appropriate a certain amount of its net profit as general reserves.

## 54 Profit distribution

In the Annual General Meeting held on 29 June 2023 the shareholders approved the profit distribution for the year ended 31 December 2022. The Bank appropriated cash dividend for the year ended 31 December 2022 in an aggregate amount of RMB97,254 million.

In the Board of Directors' Meeting, held on 26 October 2023 the directors approved the payment of dividends to domestic preference shareholders. The dividends for domestic preference shares distributed were RMB2,142 million (including taxes), calculated using the nominal dividend rate of 3.57% (including taxes) as set in the terms and conditions.

On 31 August 2023, according to the initial annual interest rate of 3.20% before the first interest rate reset date determined by the terms of the 2022 Undated Additional Tier 1 Capital Bonds, the interest on perpetual bonds issued by the Bank was RMB1,280 million; On 15 November 2023, according to the initial annual interest rate of 4.22% before the first interest rate reset date determined by the terms of the 2019 Undated Additional Tier 1 Capital Bonds, the interest on perpetual bonds issued by the Bank was RMB1,688 million.

On 28 March 2024, the Board of Directors proposed the following profit distribution scheme for the year ended 31 December 2023:

(1) Appropriate statutory surplus reserve amounted to RMB323,787 million, based on 10% of the net profit of the Bank amounted to RMB32,379 million for the year ended 31 December 2023 (for the year ended 31 December 2022: RMB31,956 million). It has been recorded in "Surplus reserve" as at the end of the reporting period.

(2) Appropriate general reserve amounted to RMB52,948 million, pursuant to relevant regulations issued by MOF (for the year ended 31 December 2022: RMB58,586 million).

(3) Declare cash dividend RMB0.400 per share before tax and in aggregation amount of RMB100,004 million to all shareholders (for the year ended 31 December 2022 RMB0.389 per share and RMB97,254 million in aggregation). Proposed dividends as at the end of the reporting period are not recognised as a liability.

Above proposed profit distribution scheme is subject to the approval of the shareholders in the Annual General Meeting. Cash dividends will be distributed to all shareholders registered at the relevant date upon approval.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 55 Notes to the statement of cash flows

### Cash and cash equivalents

| | **31 December 2023** | 31 December 2022 |
|---|---|---|
| Cash | **45,682** | 47,534 |
| Surplus deposit reserves with central banks | **552,063** | 771,473 |
| Demand deposits with banks and non-bank financial institutions | **73,551** | 62,506 |
| Time deposits with banks and non-bank financial institutions with original maturity with or within three months | **46,978** | 79,111 |
| Placements with banks and non-bank financial institutions with original maturity with or within three months | **207,189** | 183,028 |
| Total | **925,463** | 1,143,652 |

## 56 Transfer 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 structured 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 continued to recognise the transferred assets.

### Securities lending transactions

Counterparties are allowed to sell or repledge securities lent under securities lending agreements in the absence of any default by the Group, but at the same time, they have an obligation to return such securities upon the maturity of the securities lending agreements. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 31 December 2023, the carrying value of debt securities lent to counterparties was RMB24,235 million (as at 31 December 2022: RMB10,240 million).

### Credit asset securitisation transactions

The Group enters into securitisation transactions in its normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors. The Group may retain interests in the form of holding subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement, otherwise the financial assets are derecognised.

As at 31 December 2023, loans with an original carrying amount of RMB825,092 million (as at 31 December 2022: RMB880,045 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 31 December 2023 the carrying amount of assets that the Group continued to recognise was RMB75,002 million (as at 31 December 2022: RMB93,548 million). As at 31 December 2023, the carrying amount of continuing involvement assets and liabilities that the Group continued to recognise was RMB75,002 million (as at 31 December 2022: RMB93,548 million).

With respect to credit asset securitisations that did not qualify for derecognition as a whole, the Group continued to recognise credit assets that had been transferred, and recorded the consideration received as a financial liability. As at 31 December 2023, the carrying amount of transferred credit assets that the Group had continued to recognise was RMB12,124 million (as at 31 December 2022: RMB15,006 million) and the carrying amount of their associated financial liabilities was RMB12,625 million (as at 31 December 2022: RMB13,507 million).

As at 31 December 2023, the carrying amount of asset-backed securities held in the securitisation transaction derecognised by the Group was RMB2,563 million (as at 31 December 2022: RMB2,743 million), and its maximum loss exposure approximates to the carrying amount.

## 57 Operating segments

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expense". Interest income and expense earned from third parties are referred to as "External net interest income/expense".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and results are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

### (1) Geographical segments

The Group operates principally in the Chinese mainland with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in the Chinese mainland. The Group also has bank branch operations in Hong Kong, Macau, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg, Toronto, London, Zurich, Dubai, Chile, Astana, Labuan, Auckland, etc., and certain subsidiaries operating in Hong Kong, London, Moscow, Luxembourg, British Virgin Islands, Auckland, Jakarta, San Paulo and Kuala Lumpur, etc.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

Geographical segments of the Group, for management reporting purposes, are defined as follows:

- "Yangtze River Delta" refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;
- "Pearl River Delta" refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;
- "Bohai Rim" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;
- the "Central" region refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Shanxi Province, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province and Anhui Province;
- the "Western" region refers to the following areas where the tier-1 branches of the Bank operate: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region, Guangxi Autonomous Region and Xinjiang Autonomous Region; and
- the "Northeastern" region refers to the following areas where the tier-1 branches of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 57 Operating segments (continued)

### (1) Geographical segments (continued)

| | Year ended 31 December 2023 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Yangtze River Delta | Pearl River Delta | Bohai Rim | Central | Western | Northeastern | Head Office | Overseas | Total |
| External net interest income/(expense) | 59,632 | 51,311 | 29,406 | 64,289 | 73,769 | (1,058) | 317,376 | 22,508 | 617,233 |
| Internal net interest income/(expense) | 54,088 | 49,227 | 67,000 | 50,014 | 44,266 | 29,302 | (286,204) | (7,693) | - |
| **Net interest income** | 113,720 | 100,538 | 96,406 | 114,303 | 118,035 | 28,244 | 31,172 | 14,815 | 617,233 |
| Net fee and commission income | 20,423 | 21,904 | 18,856 | 15,790 | 13,375 | 3,454 | 19,705 | 2,239 | 115,746 |
| Net trading gain/(loss) | 1,403 | 24 | (62) | 145 | 65 | (11) | 3,248 | 873 | 5,685 |
| Dividend income | 148 | - | 4,519 | 556 | 20 | - | 257 | 212 | 5,712 |
| Net (loss)/gain arising from investment securities | (844) | (2,946) | (1,200) | (304) | (2,317) | (197) | 7,430 | 156 | (222) |
| Net (loss)/gain on derecognition of financial assets measured at amortised cost | (53) | (51) | (16) | 1 | (22) | (23) | 1,102 | 8 | 946 |
| Other operating (expense)/income, net | (7,842) | 143 | 1,945 | 243 | 1,607 | 109 | 1,584 | 2,726 | 515 |
| **Operating income** | 126,955 | 119,612 | 120,448 | 130,734 | 130,763 | 31,576 | 64,498 | 21,029 | 745,615 |
| Operating expenses | (39,762) | (27,533) | (35,259) | (35,576) | (37,325) | (12,271) | (24,523) | (7,903) | (220,152) |
| Credit impairment losses | (14,697) | (42,503) | (8,460) | (21,010) | (25,875) | (889) | (19,471) | (3,869) | (136,774) |
| Other impairment losses | 1 | 1 | (306) | (3) | (4) | (1) | - | (151) | (463) |
| Share of profits/(losses) of associates and joint ventures | 67 | (44) | 772 | 307 | - | - | 12 | 37 | 1,151 |
| **Profit before tax** | 72,564 | 49,533 | 77,195 | 74,452 | 67,559 | 18,415 | 20,516 | 9,143 | 389,377 |
| Capital expenditure | 2,280 | 953 | 14,155 | 1,786 | 1,738 | 733 | 1,907 | 326 | 23,878 |
| Depreciation and amortisation | 3,579 | 3,140 | 7,429 | 3,850 | 3,912 | 1,518 | 3,601 | 2,052 | 29,081 |
| | 31 December 2023 | | | | | | | | |
| Segment assets | 6,590,228 | 5,176,740 | 8,265,540 | 5,390,160 | 5,627,618 | 1,979,268 | 13,140,146 | 1,731,630 | 47,901,330 |
| Long-term equity investments | 2,375 | 1,276 | 8,939 | 4,151 | - | - | 1,835 | 2,407 | 20,983 |
| | 6,592,603 | 5,178,016 | 8,274,479 | 5,394,311 | 5,627,618 | 1,979,268 | 13,141,981 | 1,734,037 | 47,922,313 |
| Deferred tax assets | | | | | | | | | 121,227 |
| Elimination | | | | | | | | | (9,718,714) |
| Total assets | | | | | | | | | 38,324,826 |
| Segment liabilities | 6,505,937 | 5,105,200 | 8,019,403 | 5,296,596 | 5,561,892 | 1,965,083 | 10,801,127 | 1,614,504 | 44,869,742 |
| Deferred tax liabilities | | | | | | | | | 1,724 |
| Elimination | | | | | | | | | (9,718,714) |
| Total liabilities | | | | | | | | | 35,152,752 |
| Off-balance sheet credit commitments | 739,350 | 658,310 | 706,638 | 697,850 | 573,809 | 183,964 | - | 270,318 | 3,830,239 |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 57 Operating segments (continued)

### (1) Geographical segments (continued)

| | Year ended 31 December 2022 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Yangtze River Delta | Pearl River Delta | Bohai Rim | Central | Western | Northeastern | Head Office | Overseas | Total |
| External net interest income | 74,987 | 65,270 | 39,650 | 72,624 | 80,510 | 2,984 | 290,873 | 16,771 | 643,669 |
| Internal net interest income/(expense) | 37,580 | 33,797 | 54,304 | 38,673 | 34,152 | 24,095 | (219,121) | (3,480) | – |
| **Net interest income** | 112,567 | 99,067 | 93,954 | 111,297 | 114,662 | 27,079 | 71,752 | 13,291 | 643,669 |
| Net fee and commission income | 20,235 | 26,008 | 18,607 | 16,598 | 13,617 | 3,432 | 14,693 | 2,895 | 116,085 |
| Net trading (loss)/gain | (34) | 5 | 5 | 15 | (133) | 10 | 3,423 | 341 | 3,632 |
| Dividend income | 137 | 7 | 5,075 | 558 | 9 | – | 54 | 295 | 6,135 |
| Net (loss)/gain arising from investment securities | (4,542) | (2,470) | (1,448) | (317) | (3,805) | (375) | 4,033 | (138) | (9,062) |
| Net gain on derecognition of financial assets measured at amortised cost | – | – | – | – | – | – | 319 | 3 | 322 |
| Other operating (expense)/income, net | (7,007) | 206 | 1,584 | 91 | 1,522 | 58 | (1,567) | 1,842 | (3,271) |
| **Operating income** | 121,356 | 122,823 | 117,777 | 128,242 | 125,872 | 30,204 | 92,707 | 18,529 | 757,510 |
| Operating expenses | (39,456) | (28,329) | (34,017) | (35,112) | (37,003) | (12,269) | (26,475) | (7,330) | (219,991) |
| Credit impairment losses | (17,082) | (27,101) | (21,244) | (25,329) | (25,307) | (5,932) | (27,578) | (4,962) | (154,535) |
| Other impairment losses | 4 | 3 | (11) | (57) | (9) | (18) | – | (391) | (479) |
| Share of profits/(losses) of associates and joint ventures | 189 | (60) | 355 | 583 | – | – | 23 | 104 | 1,194 |
| **Profit before tax** | 65,011 | 67,336 | 62,860 | 68,327 | 63,553 | 11,985 | 38,677 | 5,950 | 383,699 |
| Capital expenditure | 2,253 | 1,269 | 6,428 | 2,119 | 1,946 | 811 | 1,614 | 3,213 | 19,653 |
| Depreciation and amortisation | 3,616 | 3,006 | 6,580 | 4,053 | 4,076 | 1,586 | 3,601 | 1,964 | 28,482 |

| | 31 December 2022 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Segment assets | 5,919,562 | 4,770,973 | 7,683,499 | 4,878,872 | 5,174,224 | 1,716,962 | 12,411,472 | 1,547,412 | 44,102,976 |
| Long-term equity investments | 1,928 | 1,315 | 9,129 | 5,898 | – | – | 1,823 | 2,607 | 22,700 |
| | 5,921,490 | 4,772,288 | 7,692,628 | 4,884,770 | 5,174,224 | 1,716,962 | 12,413,295 | 1,550,019 | 44,125,676 |
| Deferred tax assets | | | | | | | | | 113,081 |
| Elimination | | | | | | | | | (9,638,046) |
| Total assets | | | | | | | | | 34,600,711 |
| Segment liabilities | 5,840,421 | 4,689,052 | 7,458,057 | 4,785,307 | 5,105,106 | 1,703,970 | 10,351,896 | 1,427,823 | 41,361,632 |
| Deferred tax liabilities | | | | | | | | | 881 |
| Elimination | | | | | | | | | (9,638,046) |
| Total liabilities | | | | | | | | | 31,724,467 |
| Off-balance sheet credit commitments | 692,583 | 647,907 | 661,165 | 664,967 | 533,895 | 165,129 | – | 320,881 | 3,686,527 |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 57 Operating segments (continued)

### (2) Business segments

Business segments, as defined for management reporting purposes, are as follows:

*Corporate finance business*

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking and wealth management services, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, guarantee services, and Investment banking services, etc.

*Personal finance business*

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking and wealth management services, card business, remittance services and agency services, etc.

*Treasury and asset management business*

This segment covers the Group's treasury operations. The treasury and asset management segment enters into inter-bank deposit and placement transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currencies for its own account. The treasury and asset management segment carries out customer-driven derivatives, foreign currency, precious metal trading and custody services. Its function also includes the management of the Group's overall liquidity position, including the issuance of debt securities.

*Others*

This segment covers equity investments and the revenues, results, assets and liabilities of overseas commercial banks.

Specifically, since the preparation of the 2023 financial statements, the Group has reclassified business segments of certain businesses of the Bank to reflect changes in regulatory classification requirements, the Group has also adjusted comparative figures of the prior year accordingly.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 57 Operating segments (continued)

### (2) Business segments (continued)

| | Year ended 31 December 2023 | | | | |
|---|---|---|---|---|---|
| | Corporate finance business | Personal finance business | Treasury and asset management business | Others | Total |
| External net interest income | 261,999 | 132,222 | 206,688 | 16,324 | 617,233 |
| Internal net interest (expense)/ income | (60,782) | 181,733 | (120,877) | (74) | – |
| **Net interest income** | 201,217 | 313,955 | 85,811 | 16,250 | 617,233 |
| Net fee and commission income/ (expense) | 36,272 | 55,056 | 25,591 | (1,173) | 115,746 |
| Net trading gain | 337 | 1,260 | 3,010 | 1,078 | 5,685 |
| Dividend income | 4,694 | 149 | 561 | 308 | 5,712 |
| Net (loss)/gain arising from investment securities | (6,589) | 428 | 6,104 | (165) | (222) |
| Net gain on derecognition of financial assets measured at amortised cost | 736 | – | 202 | 8 | 946 |
| Other operating income/(expense), net | 1,751 | (7,255) | 2,408 | 3,611 | 515 |
| **Operating income** | 238,418 | 363,593 | 123,687 | 19,917 | 745,615 |
| Operating expenses | (87,362) | (111,069) | (14,093) | (7,628) | (220,152) |
| Credit impairment losses | (77,016) | (57,456) | 6,599 | (8,901) | (136,774) |
| Other impairment losses | (64) | (249) | 1 | (151) | (463) |
| Share of profits of associates and joint ventures | 1,054 | 78 | 12 | 7 | 1,151 |
| **Profit before tax** | 75,030 | 194,897 | 116,206 | 3,244 | 389,377 |
| Capital expenditure | 16,816 | 6,251 | 617 | 194 | 23,878 |
| Depreciation and amortisation | 10,805 | 14,602 | 1,659 | 2,015 | 29,081 |

| | 31 December 2023 | | | | |
|---|---|---|---|---|---|
| Segment assets | 15,290,620 | 8,705,648 | 13,547,677 | 906,819 | 38,450,764 |
| Long-term equity investments | 12,521 | 2,238 | 6,217 | 7 | 20,983 |
| | 15,303,141 | 8,707,886 | 13,553,894 | 906,826 | 38,471,747 |
| Deferred tax assets | | | | | 121,227 |
| Elimination | | | | | (268,148) |
| Total assets | | | | | 38,324,826 |
| Segment liabilities | 12,349,135 | 15,979,947 | 5,236,467 | 1,853,627 | 35,419,176 |
| Deferred tax liabilities | | | | | 1,724 |
| Elimination | | | | | (268,148) |
| Total liabilities | | | | | 35,152,752 |
| Off-balance sheet credit commitments | 2,422,267 | 1,137,654 | – | 270,318 | 3,830,239 |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 57 Operating segments (continued)

### (2) Business segments (continued)

| | Year ended 31 December 2022 | | | | |
|---|---|---|---|---|---|
| | Corporate finance business | Personal finance business | Treasury and asset management business | Others | Total |
| External net interest income | 256,223 | 182,254 | 191,160 | 14,032 | 643,669 |
| Internal net interest (expense)/ income | (27,015) | 125,512 | (98,805) | 308 | – |
| **Net interest income** | 229,208 | 307,766 | 92,355 | 14,340 | 643,669 |
| Net fee and commission income/ (expense) | 35,713 | 50,229 | 31,786 | (1,643) | 116,085 |
| Net trading (loss)/gain | (1,841) | 107 | 4,532 | 834 | 3,632 |
| Dividend income | 5,179 | 124 | 620 | 212 | 6,135 |
| Net (loss)/gain arising from investment securities | (8,537) | (2,782) | 2,505 | (248) | (9,062) |
| Net gain on derecognition of financial assets measured at amortised cost | – | – | 319 | 3 | 322 |
| Other operating income/(expense), net | 521 | (6,788) | 108 | 2,888 | (3,271) |
| **Operating income** | 260,243 | 348,656 | 132,225 | 16,386 | 757,510 |
| Operating expenses | (86,403) | (111,883) | (14,531) | (7,174) | (219,991) |
| Credit impairment losses | (100,339) | (41,038) | (4,415) | (8,743) | (154,535) |
| Other impairment losses | (52) | – | (36) | (391) | (479) |
| Share of profits of associates and joint ventures | 530 | 185 | 434 | 45 | 1,194 |
| **Profit before tax** | 73,979 | 195,920 | 113,677 | 123 | 383,699 |
| Capital expenditure | 4,443 | 6,103 | 549 | 8,558 | 19,653 |
| Depreciation and amortisation | 9,901 | 14,404 | 1,112 | 3,065 | 28,482 |

| | 31 December 2022 | | | | |
|---|---|---|---|---|---|
| Segment assets | 12,649,790 | 8,528,278 | 12,850,453 | 710,554 | 34,739,075 |
| Long-term equity investments | 12,433 | 1,713 | 8,286 | 268 | 22,700 |
| | 12,662,223 | 8,529,991 | 12,858,739 | 710,822 | 34,761,775 |
| Deferred tax assets | | | | | 113,081 |
| Elimination | | | | | (274,145) |
| Total assets | | | | | 34,600,711 |
| Segment liabilities | 11,249,365 | 14,082,474 | 5,055,218 | 1,610,674 | 31,997,731 |
| Deferred tax liabilities | | | | | 881 |
| Elimination | | | | | (274,145) |
| Total liabilities | | | | | 31,724,467 |
| Off-balance sheet credit commitments | 2,251,667 | 1,113,979 | – | 320,881 | 3,686,527 |

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 58 Entrusted lending business

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

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Entrusted loans | **4,420,191** | 4,215,594 |
| Entrusted funds | **4,420,191** | 4,215,594 |

## 59 Pledged assets

### (1) Assets pledged as securities

The Group's collateral for liabilities or contingent liabilities include financial assets such as securities and bills, which mainly serve as collateral for repurchase agreements, derivative contracts and local statutory requirements. As at 31 December 2023, the carrying values of the Group's financial assets pledged as collateral amounted to approximately RMB1,962,492 million (as at 31 December 2022: RMB1,474,570 million).

### (2) Collateral accepted as securities for assets

As part of the resale agreements, the Group has received securities that were allowed to be sold or repledged in the absence of default by their owners. As at 31 December 2023, the Group has received securities with a fair value of approximately RMB1,842 million on such terms (31 December 2022: Nil).

## 60 Commitments and contingent liabilities

### (1) Credit commitments

Credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, financial guarantees, letters of credit, etc. The Group assesses and makes provisions for any probable losses accordingly.

The contractual amounts of loan commitments and credit card overdraft commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers.

As credit commitments may expire without being drawn upon, the contractual amounts set out in the following table do not represent the expected future cash outflows.

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Loan commitments | | |
| – with an original maturity within one year | **62,692** | 69,885 |
| – with an original maturity of one year or over | **375,098** | 432,096 |
| Credit card commitments | **1,174,030** | 1,150,461 |
| | **1,611,820** | 1,652,442 |
| Bank acceptances | **544,973** | 481,269 |
| Financing guarantees | **45,339** | 48,030 |
| Non-financing guarantees | **1,348,704** | 1,286,206 |
| Sight letters of credit | **47,524** | 44,863 |
| Usance letters of credit | **226,132** | 169,155 |
| Others | **5,747** | 4,562 |
| Total | **3,830,239** | 3,686,527 |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 60 Commitments and contingent liabilities (continued)

### (2) Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the NFRA and depends on the status of the counterparty and the maturity characteristics.

| | **31 December 2023** | 31 December 2022 |
|---|---|---|
| Credit risk-weighted amount of contingent liabilities and commitments | **1,224,736** | 1,186,298 |

### (3) Capital commitments

As at 31 December 2023, the Group's contracted for but not disbursed capital commitments amounted to RMB2,071 million (as at 31 December 2022: RMB1,628 million).

### (4) Underwriting obligations

As at 31 December 2023, there was no unexpired underwriting commitment of the Group (as at 31 December 2022: Nil).

### (5) Government bond redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 31 December 2023, were RMB47,743 million (as at 31 December 2022: RMB50,120 million).

### (6) Outstanding litigations and disputes

As at 31 December 2023, the Group was the defendant in certain pending litigations and disputes with gross claims of RMB8,156 million (as at 31 December 2022: RMB8,606 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 45). The Group considers that the provisions made are reasonable and adequate.

### (7) Contingent liabilities

The Group assessed and made provisions for any probable outflow of economic benefits in relation to the commitments and contingent liabilities in accordance with their accounting policies.

### (8) Impact of the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions*

In accordance with the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions* jointly issued by the PBC and three other ministries as well as the PBC's relevant announcement, other than assets for which the Group had applied to regulators for disposal on a case-by-case basis, the Group has completed the rectification of legacy wealth management business and recognised its impact in these financial statements in terms of provisions and credit impairment losses. The Group will duly implement relevant policies and regulatory requirements, continue to assess and disclose relevant impact, and strive to complete the rectification as soon as possible.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 61 Related party relationships and transactions

### (1) Transactions with parent companies and their affiliates

The immediate and ultimate parents of the Group are Huijin and CIC, respectively.

As approved by the State Council, CIC was established on 29 September 2007 with registered capital of RMB1,550,000 million. As a wholly-owned subsidiary of CIC, Huijin exercises its rights and obligations as an investor on behalf of the PRC government in accordance with laws.

Huijin was incorporated on 16 December 2003 as a wholly-state-owned investment company. It was registered in Beijing with registered capital of RMB828,209 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations. As at 31 December 2023, Huijin directly held 57.14% of shares of the Bank.

Affiliates of parent companies include the subsidiaries under parent companies and other associates and joint ventures.

The Group's transactions with parent companies and their affiliates mainly include deposit taking, entrusted asset management, operating leases, lending, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts with a nominal value of RMB12,000 million (as at 31 December 2022: RMB8,000 million). These are bearer bonds and tradable in the secondary market. The Group had no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

#### *(a) Transactions with parent companies*

In the ordinary course of the business, material transactions that the Group entered into with parent companies are as follows:

*Amounts*

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Amount** | **Ratio to similar transactions** | Amount | Ratio to similar transactions |
| Interest income | **1,318** | **0.11%** | 1,057 | 0.09% |
| Interest expense | **83** | **0.01%** | 713 | 0.14% |

*Balances outstanding as at the end of the reporting period*

| | **31 December 2023** | | 31 December 2022 | |
|---|---|---|---|---|
| | **Balance** | **Ratio to similar transactions** | Balance | Ratio to similar transactions |
| Loans and advances to customers | **12,000** | **0.05%** | 14,000 | 0.07% |
| Financial investments | | | | |
| Financial assets measured at fair value through profit or loss | **10** | **0.00%** | – | – |
| Financial assets measured at amortised cost | **24,209** | **0.36%** | 22,912 | 0.38% |
| Financial assets measured at fair value through other comprehensive income | **6,083** | **0.27%** | 7,155 | 0.35% |
| Deposits from customers | **17,134** | **0.06%** | 8,544 | 0.03% |
| Credit commitments | **8,288** | **0.22%** | 288 | 0.01% |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 61 Related party relationships and transactions (continued)

### (1) Transactions with parent companies and their affiliates (continued)

#### *(b) Transactions with the affiliates of parent companies*

In the ordinary course of the business, material transactions that the Group entered into with the affiliates of parent companies are as follows:

*Amounts*

| | Note | **2023** | | 2022 | |
|---|---|---|---|---|---|
| | | **Amount** | **Ratio to similar transactions** | Amount | Ratio to similar transactions |
| Interest income | | **20,578** | **1.65%** | 17,256 | 1.47% |
| Interest expense | | **11,071** | **1.76%** | 5,145 | 0.98% |
| Fee and commission income | | **433** | **0.33%** | 498 | 0.38% |
| Fee and commission expense | | **28** | **0.20%** | 44 | 0.30% |
| Net trading gain | | **1,058** | **18.61%** | 636 | 17.51% |
| Net gain arising from investment securities | | **4,368** | **N/A** | 2,714 | N/A |
| Operating expenses | (i) | **1,069** | **0.49%** | 1,140 | 0.52% |

*Balances outstanding as at the end of the reporting period*

| | Note | **31 December 2023** | | 31 December 2022 | |
|---|---|---|---|---|---|
| | | **Balance** | **Ratio to similar transactions** | Balance | Ratio to similar transactions |
| Deposits with banks and non-bank financial institutions | | **26,110** | **17.62%** | 27,229 | 14.68% |
| Placements with banks and non-bank financial institutions | | **148,527** | **22.00%** | 112,858 | 22.14% |
| Positive fair value of derivatives | | **3,560** | **8.12%** | 5,114 | 10.37% |
| Financial assets held under resale agreements | | **45,774** | **4.67%** | 87,101 | 8.37% |
| Loans and advances to customers | | **245,845** | **1.07%** | 101,987 | 0.50% |
| Financial investments | | | | | |
| Financial assets measured at fair value through profit or loss | | **161,299** | **26.78%** | 116,614 | 20.53% |
| Financial assets measured at amortised cost | | **197,187** | **2.90%** | 172,851 | 2.90% |
| Financial assets measured at fair value through other comprehensive income | | **272,277** | **12.18%** | 230,727 | 11.45% |
| Other assets | | **7** | **0.00%** | – | – |
| Deposits from banks and non-bank financial institutions | (ii) | **248,508** | **8.90%** | 146,421 | 5.67% |
| Placements from banks and non-bank financial institutions | | **177,615** | **43.56%** | 119,797 | 32.75% |
| Financial liabilities measured at fair value through profit or loss | | **–** | **–** | 3 | 0.00% |
| Negative fair value of derivatives | | **4,455** | **10.64%** | 6,328 | 13.54% |
| Financial assets sold under repurchase agreements | | **7,749** | **3.30%** | 5,896 | 2.43% |
| Deposits from customers | | **114,591** | **0.41%** | 147,347 | 0.59% |
| Other liabilities | | **18,936** | **3.46%** | 10,229 | 1.80% |
| Credit commitments | | **9,293** | **0.24%** | 9,055 | 0.25% |

(i) Operating expenses mainly represent fees for related services provided by the affiliates of parent companies.

(ii) Deposits from the affiliates of parent companies are unsecured and are repayable under normal commercial terms.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 61 Related party relationships and transactions (continued)

### (2) Transactions between the Group and its associates and joint ventures of the Group

Transactions between the Group and its associates and joint ventures are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group.

In the ordinary course of the business, material transactions that the Group entered into with associates and joint ventures are as follows:

*Amounts*

| | **2023** | 2022 |
|---|---|---|
| Interest income | **24** | 126 |
| Interest expense | **41** | 80 |
| Fee and commission income | **58** | 119 |
| Operating expenses | **126** | 63 |

*Balances outstanding as at the end of the reporting period*

| | **31 December 2023** | 31 December 2022 |
|---|---|---|
| Loans and advances to customers | **1,241** | 1,814 |
| Other assets | **412** | 484 |
| Financial liabilities measured at fair value through profit or loss | **–** | 9 |
| Deposits from customers | **7,424** | 5,689 |
| Other liabilities | **960** | 735 |
| Credit commitments | **1,528** | 449 |

In addition, transactions between the Group and its associates and joint ventures measured at fair value consisted of loans and advances to customers, deposits from customers, and credit commitments. As at 31 December 2023, the balances of the above transactions were RMB28,189 million, RMB8,766 million, and RMB43,834 million, respectively. For the year ended 31 December 2023, interest income, interest expenses, and fee and commission income generated from these transactions were RMB1,366 million, RMB96 million, and RMB194 million, respectively.

### (3) Transactions between the Bank and its subsidiaries

Transactions between the Bank and its subsidiaries are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions are conducted between the Bank and non-related companies outside the Group. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 4(1)(b).

In the ordinary course of the business, material transactions that the Bank entered into with its subsidiaries are as follows:

*Amounts*

| | **2023** | 2022 |
|---|---|---|
| Interest income | **2,474** | 1,888 |
| Interest expense | **2,135** | 932 |
| Fee and commission income | **3,808** | 4,760 |
| Fee and commission expense | **722** | 575 |
| Dividend income | **453** | 746 |
| Net loss arising from investment securities | **–** | 40 |
| Operating expenses | **9,139** | 9,597 |
| Other operating expense, net | **36** | 110 |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 61 Related party relationships and transactions (continued)

### (3) Transactions between the Bank and its subsidiaries (continued)

*Balances outstanding as at the end of the reporting period*

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Deposits with banks and non-bank financial institutions | **1,964** | 4,652 |
| Placements with banks and non-bank financial institutions | **101,772** | 114,033 |
| Positive fair value of derivatives | **906** | 966 |
| Placements with banks and non-bank financial institutions | **1,891** | – |
| Loans and advances to customers | **16,702** | 12,625 |
| Financial investments | | |
| Financial assets measured at fair value through profit or loss | **1,424** | 1,366 |
| Financial assets measured at amortised cost | **1,071** | 1,122 |
| Financial assets measured at fair value through other comprehensive income | **13,878** | 13,822 |
| Other assets | **39,690** | 38,957 |
| Deposits from banks and non-bank financial institutions | **17,439** | 22,975 |
| Placements from banks and non-bank financial institutions | **39,086** | 26,032 |
| Financial liabilities measured at fair value through profit or loss | **–** | 80 |
| Negative fair value of derivatives | **362** | 473 |
| Deposits from customers | **16,349** | 11,432 |
| Debt securities issued | **29** | – |
| Other liabilities | **6,581** | 6,211 |

As at 31 December 2023, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary was RMB907 million (as at 31 December 2022: RMB5,167 million).

As at 31 December 2023, the transactions between subsidiaries of the Group were mainly other assets and other liabilities, and the balances of the above transactions were RMB8,199 million and RMB8,239 million respectively (as at 31 December 2022, the transactions between subsidiaries of the Group were non-bank financial institutions and deposits from customers and deposits with banks, and the balances of the above transactions were RMB1,558 million and RMB1,517 million, respectively).

### (4) Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliates and other organisations. Transactions with other state-owned entities include but are not limited to: lending and deposit taking; taking and placing of inter-bank balances; entrusted lending and other custody services; insurance and securities agency, and other intermediary services; purchase, sale, underwriting and redemption of bonds issued by other state-owned entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions were material related party transactions that require separate disclosure.

### (5) Transactions with the Annuity Scheme and Plan Assets

Apart from the obligations for defined contributions to the Annuity Scheme and regular banking transactions, there were no other transactions between the Group and the Annuity Scheme in 2023 and 2022.

As at 31 December 2023, the fair value of the Group's supplementary retirement benefit plan assets managed by CCB Principal Asset Management and CCB Pension was RMB3,187 million (as at 31 December 2022: RMB3,421 million), and management fees payable to CCB Principal Asset Management and CCB Pension were RMB3.59 million (as at 31 December 2022: RMB2.88 million).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 61 Related party relationships and transactions (continued)

### (6) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives. The Group enters into banking transactions with key management personnel in the normal course of business. For the years ended 31 December 2023 and 2022 there were no material transactions and balances with key management personnel.

The compensation before tax of directors and supervisors is disclosed in Note 16. The senior executives' annual compensation before individual income tax during the year is as follows:

| | 2023 | | | |
|---|---|---|---|---|
| | Remuneration paid RMB'000 | Contributions to defined contribution retirement schemes RMB'000 | Other benefits in kind (Note (i)) RMB'000 | Total (Note (ii)) RMB'000 |
| **Executive Vice Presidents** | | | | |
| Li Yun | 605 | 63 | 143 | 811 |
| Wang Bing | 605 | 63 | 143 | 811 |
| Li Min | 151 | 16 | 37 | 204 |
| **Secretary to the Board** | | | | |
| Hu Changmiao | 1,478 | 63 | 249 | 1,790 |
| **Chief Information Officer** | | | | |
| Jin Panshi | 1,478 | 63 | 249 | 1,790 |
| **Chief Financial Officer** | | | | |
| Sheng Liurong | 1,478 | 63 | 235 | 1,776 |
| **Former Executive Vice President** | | | | |
| Zhang Min | 101 | 10 | 23 | 134 |
| **Former Chief Risk Officer** | | | | |
| Cheng Yuanguo | 837 | 36 | 143 | 1,016 |
| | 6,733 | 377 | 1,222 | 8,332 |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 61 Related party relationships and transactions (continued)

### (6) Key management personnel (continued)

| | 2022 | | | |
|---|---|---|---|---|
| | Annual remuneration payable (Allowances) RMB'000 | Employer's contribution to social insurances, enterprise annuity, supplemental medical insurance and housing allowances RMB'000 | Other monetary income RMB'000 | Total RMB'000 |
| **Executive Vice Presidents** | | | | |
| Cui Yong | 348 | 83 | – | 431 |
| Ji Zhihong | 834 | 209 | – | 1,043 |
| Li Yun | 834 | 209 | – | 1,043 |
| Wang Bing | – | – | – | – |
| **Secretary to the Board** | | | | |
| Hu Changmiao | 2,641 | 291 | – | 2,932 |
| **Chief Information Officer** | | | | |
| Jin Panshi | 2,642 | 286 | – | 2,928 |
| **Chief Risk Officer** | | | | |
| Cheng Yuanguo | 2,642 | 283 | – | 2,925 |
| **Chief Financial Officer** | | | | |
| Sheng Liurong | 220 | 23 | – | 243 |
| **Former Executive Vice Presidents** | | | | |
| Wang Hao | 487 | 126 | – | 613 |
| Zhang Min | 834 | 209 | – | 1,043 |
| | 11,482 | 1,719 | – | 13,201 |

(i) Other benefits in kind included the Bank's contributions to medical insurance, housing funds and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

(ii) The total compensation package for these key management personnel for the year ended 31 December 2023 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation to be adjusted for is not expected to have significant impact on the Group's financial statements for the year ended 31 December 2023. The final compensation will be disclosed in a separate announcement when determined.

(iii) The total compensation package for certain key management personnel for the year ended 31 December 2022 had not been finalised in accordance with regulations of the PRC relevant authorities as at the date that the 2022 financial statements were announced. The aforesaid total compensation package for the key management personnel for the year ended 31 December 2022 has been reviewed and approved by the Board meeting of the Bank and the shareholders' general meeting of the Bank.

(iv) From 2015 onwards, remuneration of the Bank's leaders administered by central authorities has been paid in accordance with relevant policies relating to the central remuneration reform.

### (7) Loans, quasi-loans and other credit transactions to directors, supervisors and senior executives

The Group had no material balance of loans, quasi-loans and other credit transactions to directors, supervisors and senior executives as at the end of reporting period. Those loans, quasi-loans and other credit transactions to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.

## 62 Risk management

The Group has exposure to the following risks:

– credit risk

– market risk

– liquidity risk

– operational risk

– insurance risk

This note presents information about the Group's exposures to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management.

### Risk management framework

The Board performs risk management responsibilities pursuant to the Bank's Articles of Association and regulatory requirements. The Board and its subordinate Risk Management Committee develop risk management strategies, supervise the implementation, assess the overall risk profile, review the statements of risk appetite regularly and transmit risk appetite through policies. The Board of Supervisors supervises the construction of the comprehensive risk management system, as well as the performance of the Board and senior management in delivering comprehensive risk management responsibilities. Senior management is responsible for implementing risk strategies developed by the Board and organising the comprehensive risk management work across the Group.

Risk Management Department is the leading management department responsible for the Group's comprehensive risk management and leads market risk management. Credit Management Department is the leading management department responsible for the overall credit risk management and country risk management. Asset & Liability Management Department is the leading management department responsible for the management of liquidity risk and interest rate risk of banking book. Internal Control & Compliance Department is the leading management department responsible for operational risk management. It is also responsible for promoting information technology risk management jointly with FinTech Department. Public Relations & Corporate Culture Department is in charge of reputational risk management. Strategy and Policy Coordination Department is the leading management department responsible for strategic risk management. Other specialised departments are responsible for other respective risks.

The Bank attached great importance to the risk management of subsidiaries. It continued to optimise its risk governance system for subsidiaries, enhanced joint risk prevention and control between the parent and subsidiaries, and improved the efficiency of risk early alert and decision-making at the parent and subsidiaries. For subsidiaries, it scientifically set quantitative indicators of risk appetite, clarified various risk management objectives, and improved subsidiary-specific risk control mechanism. In addition, it established a comprehensive financing management structure at the group level, improved the "three lines of defence" mechanism for risk management, optimised risk reporting mechanism and reporting lines, performed risk profiling, and strengthened substantive risk control, so as to consolidate the bottom line of risk compliance of subsidiaries.

### (1) Credit risk

#### *Credit risk management*

Credit risk represents the risk of financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group.

Credit risk management comprehensively covers the entire processes of credit, investment, and trading businesses, including key procedures such as, credit risk appetite, credit management, post investment and credit management, credit risk reporting, and expected credit loss approach implementation.

The Credit Management Department is the leading department responsible for overall management of the Group's credit risk. The Risk Management Department takes the lead in the development and implementation of the credit risk measurement tools including customers rating and facilities grading. The Special Assets Resolution Department is responsible for the special assets resolutions. The Credit Approval Department is responsible for specific credit management work such as comprehensive credit limits and credit approval of various credit businesses for the Group's customers. With the Credit Management Department taking the lead, the Credit Approval Department and the Risk Management Department participate in, share the workload and coordinate with other departments such as the Corporate Banking Department, the Inclusive Finance Department, the Institutional Banking Department, the International Business Department, the Strategic Clients Department, the Housing Finance & Personal Lending Department, the Credit Card Centre, and the Legal Affairs Department to implement credit risk management policies and procedures.

## 62 Risk management (continued)

### (1) Credit risk (continued)

*Credit risk management (continued)*

With respect to credit risk management of corporate and institutional business, the Group has accelerated the adjustment of its businesses structure, enhanced post-lending(investment) monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned eligibility and exit policies, and optimised economic capital management and industry risk limit management. All these policies have been implemented to maintain the stability of asset quality. The Group's credit risk management covers processes such as pre-lending (investment) due diligence, credit (investment) inspection, and post-lending (investment) monitoring for credit granting business. The Group performs pre-lending (investment) investigations by assessing the borrower's credit ratings based on internal rating criteria and completing the borrower's assessment report and by performing a comprehensive evaluation of the risks and rewards of the project and completing an evaluation report. Approvals must be authorized by approvers with the appropriate authorisation. The Group conducts continuous post-lending (investment) monitoring activities, particularly focusing on those related to key industries, geographical segments, products and clients. Any events and emergencies that may impact on the security of a borrower's credit assets or that may result in significant credit risk are reported timely and measures are implemented to prevent and control risks.

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. Customer relationship managers are required to assess the income, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and recommendations to the loan-approval departments for consent. The Group pays great attention to post-lending monitoring of personal loans, focuses on borrowers' repayment ability, the status of collateral and pledges and any changes to the value of collateral and pledges. Once a loan becomes overdue, the Group starts the recovery process according to standard recovery procedures.

To mitigate risks, the Group requests the customers to provide collateral and pledges or guarantees where appropriate. A refined management system and operating procedure for collateral and pledges have been developed, and there is a guideline to specify the suitability of accepting specific types of collateral and pledges. The values, structures and legal covenants of collateral and pledges are monitored continuously to ensure that they still serve their intended purposes and conform to market practices.

For risk management purposes, the Group conducts independent management over credit risk arising from derivatives exposures, with information disclosed in Notes (1)(j). The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

*Measurement of expected credit losses (ECL)*

The Group continues to improve its unified expected credit loss approach implementation system which has covered all credit risk exposures on and off-balance sheet, and clarified the division of responsibilities between the Board of Directors and its specialized committees, the Board of Supervisors, senior management, the leading department of the Head Office and other relevant departments. The Group has set up a comprehensive implementation management system, strengthened control over the entire implementation process, consolidated the foundation, and adhered to the high-quality implementation of the expected credit loss approach. In the implementation process of the expected credit loss approach, the Group has fully considered uncertainties facing credit risk management. Based on the results of expected credit loss assessment, the Group recognises allowances for impairment losses timely and adequately to ensure that that the accrued allowances for impairment losses have effectively covered expected credit losses.

*(A) Segmentation of financial instruments*

The Group adopts a "three-stage" model for impairment based on changes in credit risk since initial recognition or by determining whether the financial instruments are credit-impaired, to estimate the expected credit losses.

The key definition of the three stages are defined in Note 4(3)(f).

## 62 Risk management (continued)

### (1) Credit risk (continued)

***Measurement of expected credit losses (ECL)*** *(continued)*

*(B) Significant increase in credit risk ("SICR")*

The Group assesses at least quarterly whether the credit risk of a financial instrument has increased significantly since initial recognition. In accordance with the principle of substantive risk judgment, the Group compares the risk of default of financial instruments as at the end of reporting period with that as at the date of initial recognition for an individual financial instrument or a group of financial instruments with common credit risk characteristics to determine whether the credit risk has increased significantly since initial recognition. The Group sufficiently considers all reasonable and supportable information when making related assessments, including but not limited to: internal credit rating of the borrower; information such as business risk classification, overdue status, and contract terms; information on changes in the credit strategy or credit risk management methods towards the borrower; information such as the borrower's credit information, external ratings, changes in debt and equity prices, credit default swap prices, credit spreads, and public opinion; business and financial information of the borrower, its shareholders, and affiliated enterprises; and the macro economy, industry development, technological innovation, climate change, natural disasters, socio-economic and financial policies, government support or relief measures that may have a potential impact on the borrower's repayment capacity.

The Group has set qualitative and quantitative criteria for assessing whether the credit risk of financial instruments has increased significantly since initial recognition. For example, generally, the credit risk of loans whose internal credit ratings have fallen to level 15 and below, is regarded as having increased significantly.

Usually, if a financial instrument has been overdue for more than 30 days, then this indicates that the credit risk of this financial instrument has increased significantly.

*(C) Definition of defaulted and credit-impaired assets*

The Group considers a financial instrument as having defaulted when it is credit-impaired. Generally, financial instrument overdue for more than 90 days on contractual payment terms shall be considered as having credit-impaired.

The following factors can be referred to when determining whether credit impairment has occurred:

- Significant financial difficulty of the issuer or borrower;
- Breach of contract term, such as a default or delinquency in interest or principal payments;
- Concessions that would not otherwise be granted to the borrower, in light of economic or contractual considerations related to the borrower's financial difficulties;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for financial assets because of financial difficulties of the issuer or borrower;
- A financial asset purchased or originated by a large discount which reflects the fact of credit-impairment having occurred; and
- Other objective evidence indicating there is a credit impairment of the financial asset.

The Group's definition of default has been consistently applied to the estimates of PD, LGD and EAD during the ECL measurement.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (1) Credit risk (continued)

***Measurement of expected credit losses (ECL)** (continued)*

*(D) Explanation of parameters, assumptions and estimation techniques*

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether a financial instrument is considered to be credit-impaired. Expected credit losses are the discounted product of the weighted average of PD, LGD, and EAD under the optimistic, baseline and pessimistic scenarios.

Defined as follows:

PD refers to the likelihood of a debtor and its businesses defaulting in the future, after consideration of forward-looking information. Please refer to earlier disclosure in this note for the definition of default.

LGD refers to the Group's expected loss amount resulting from default as a proportion of total exposure, after consideration of forward-looking information.

EAD is the total amount of risk exposure on and off-balance sheet at the time of default. The exposure is determined by the repayment plan according to different types of products.

The discount rate used in the ECL measurement is the effective interest rate.

During the reporting period, based on changes in macroeconomic environment, the Group has updated forward-looking information used in the measurement of expected credit losses. Please refer to further disclosure in this note for forward-looking information which is incorporated in the measurement of expected credit losses.

The assumptions underlying the ECL measurement, such as the PDs for different maturities are monitored and reviewed on a quarterly basis.

During the reporting period, the Group continued to improve its unified ECL approach implementation management system and monitor models and parameters related to expected credit losses and carried out model optimisation by reference to monitoring results.

There have been no significant changes in estimation techniques and such assumptions made during the reporting period.

*(E) Forward-looking information incorporated in the ECL*

The Group has performed historical data analysis and identified the macroeconomic variables affecting expected credit losses, such as GDP, CPI, M2, PPI, RMB deposit reserve rate, London spot gold price, average exchange rate of US Dollar to RMB, sales price indices of second-hand residential buildings in 70 large and medium-sized cities, national real estate climate index, and so on.

The Group set forecast GDP value for baseline scenario by reference to average value of forecasts released by authoritative international and domestic institutions, and the forecast 2024 GDP growth value under the baseline scenario was set at round 5%. Forecast 2024 GDP growth value under the optimistic and pessimistic scenarios had been determined by moving up and down, by a certain degree, from the baseline scenario forecast. For other macroeconomic variables, the Group involved internal experts and used methods such as transmission models, economic principles, and expert judgment to calculate the predicted value of each variable under each scenario.

The Group constructs empirical models to derive the relationship between historical macroeconomic variables and PD and LGD, and calculates the PD and LGD values for a given future horizon using the forecasted macroeconomic variables.

The Group constructs empirical models to determine the weightings for optimistic, baseline and pessimistic scenarios. As at 31 December 2023 and 2022, the optimistic, baseline and pessimistic scenarios were of comparable weightings.

*(F) Risk grouping*

For the purpose of ECL measurement, the Group has divided businesses with common credit risk characteristics into separate groups. When grouping corporate business, the Group considered credit risk characteristics such as client type and the industry in which the client operates. When grouping personal business, the Group considered credit risk characteristics such as internal risk pool and product type. The Group obtained sufficient information to ensure risk grouping is statistically reliable.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (1) Credit risk (continued)

#### *(a) Maximum credit risk exposure*

The following table presents the maximum exposure to credit risk as at the end of the reporting period without taking into consideration any collaterals and pledges held or other credit enhancements. In respect of the financial assets recognised in the statement of financial position, the maximum exposure to credit risk is represented by the carrying amount after deducting any impairment allowance.

| | **31 December 2023** | 31 December 2022 |
|---|---|---|
| Deposits with central banks | **3,020,376** | 3,111,762 |
| Deposits with banks and non-bank financial institutions | **148,218** | 185,423 |
| Placements with banks and non-bank financial institutions | **675,270** | 509,786 |
| Positive fair value of derivatives | **43,840** | 49,308 |
| Financial assets held under resale agreements | **979,498** | 1,040,847 |
| Loans and advances to customers | **23,083,377** | 20,493,042 |
| Financial investments | | |
| Financial assets measured at fair value through profit or loss | **362,299** | 340,032 |
| Financial assets measured at amortised cost | **6,801,242** | 5,958,397 |
| Financial assets measured at fair value through other comprehensive income | **2,224,783** | 2,008,371 |
| Other financial assets | **220,645** | 220,827 |
| Total | **37,559,548** | 33,917,795 |
| Off-balance sheet credit commitments | **3,830,239** | 3,686,527 |
| Maximum credit risk exposure | **41,389,787** | 37,604,322 |

#### *(b) Loans and advances to customers analysed by credit quality*

Within overdue but not credit-impaired loans and advances and credit-impaired loans and advances, the portions covered and not covered by collateral held are as follows:

| | **31 December 2023** | | |
|---|---|---|---|
| | **Overdue but not credit-impaired loans and advances** | | **Credit-impaired loans and advances** |
| | **Corporate** | **Personal** | **Corporate** |
| Portion covered | **4,290** | **28,337** | **102,434** |
| Portion not covered | **5,215** | **16,078** | **165,249** |
| Total | **9,505** | **44,415** | **267,683** |

| | 31 December 2022 | | |
|---|---|---|---|
| | Overdue but not credit-impaired loans and advances | | Credit-impaired loans and advances |
| | Corporate | Personal | Corporate |
| Portion covered | 4,960 | 28,500 | 84,808 |
| Portion not covered | 3,733 | 14,313 | 162,138 |
| Total | 8,693 | 42,813 | 246,946 |

The above collateral and pledges includes land use rights, buildings and equipment. The fair value of collateral and pledges was estimated by the Group with reference to the latest available external valuations adjusted after taking into account the current realisation experience as well as the market situation.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (1) Credit risk (continued)

#### *(c) Loans and advances to customers analysed by economic sector concentrations*

| | 31 December 2023 | | | 31 December 2022 | | |
|---|---|---|---|---|---|---|
| | Gross loan balance | Percentage | Balance secured by collateral | Gross loan balance | Percentage | Balance secured by collateral |
| Corporate loans and advances | | | | | | |
| – Leasing and commercial services | 2,506,037 | 10.50% | 663,717 | 2,072,166 | 9.77% | 596,082 |
| – Transportation, storage and postal services | 2,328,471 | 9.76% | 617,975 | 2,059,331 | 9.71% | 595,509 |
| – Manufacturing | 2,167,353 | 9.08% | 437,729 | 1,786,424 | 8.43% | 434,243 |
| – Production and supply of electric power, heat, gas and water | 1,444,500 | 6.05% | 219,330 | 1,139,258 | 5.37% | 211,377 |
| – Wholesale and retail trade | 1,396,585 | 5.85% | 698,352 | 1,132,600 | 5.34% | 606,268 |
| – Real estate | 970,809 | 4.07% | 497,958 | 888,367 | 4.19% | 453,605 |
| – Water, environment and public utility management | 747,653 | 3.13% | 269,792 | 678,710 | 3.20% | 272,666 |
| – Construction | 631,518 | 2.65% | 161,559 | 532,122 | 2.51% | 147,081 |
| – Mining | 345,315 | 1.45% | 20,110 | 276,178 | 1.30% | 16,629 |
| – Agriculture, forestry, farming, fishing | 132,956 | 0.56% | 27,651 | 111,880 | 0.53% | 24,708 |
| – Education | 103,696 | 0.43% | 20,041 | 91,819 | 0.43% | 19,190 |
| – Public management, social securities and social organisation | 66,557 | 0.28% | 452 | 58,774 | 0.28% | 486 |
| – Others | 1,096,147 | 4.60% | 315,979 | 944,543 | 4.48% | 280,998 |
| Total corporate loans and advances | 13,937,597 | 58.41% | 3,950,645 | 11,772,172 | 55.54% | 3,658,842 |
| Personal loans and advances | 8,768,598 | 36.75% | 6,873,754 | 8,327,312 | 39.28% | 6,851,810 |
| Discounted bills | 1,104,787 | 4.63% | – | 1,048,651 | 4.95% | – |
| Accrued interest | 50,618 | 0.21% | – | 48,995 | 0.23% | – |
| Total loans and advances to customers | 23,861,600 | 100.00% | 10,824,399 | 21,197,130 | 100.00% | 10,510,652 |

The table below lists economic sector accounting for 10% or above of the Group's total balance of loans and advances to customers as at 31 December 2023, details of credit impaired (stage 3) loans, allowances for impairment losses, charges, and amounts write-offs:

| | 31 December 2023 | | | | 2023 | |
|---|---|---|---|---|---|---|
| | | Allowances for impairment losses | | | | |
| | Stage 3 Gross loans | Stage 1 | Stage 2 | Stage 3 | Charge for the year | Write-offs during the year |
| Leasing and commercial services | 44,968 | (50,962) | (38,193) | (32,878) | (22,466) | 4,532 |

As at 31 December 2022, no economic sector accounted for 10% or above of the Group's total balance of loans and advances to customers.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (1) Credit risk (continued)

#### *(d) Loans and advances to customers analysed by geographical sector concentrations*

| | 31 December 2023 | | | 31 December 2022 | | |
|---|---|---|---|---|---|---|
| | Gross loan balance | Percentage | Balance secured by collateral | Gross loan balance | Percentage | Balance secured by collateral |
| Yangtze River Delta | 4,703,648 | 19.71% | 2,371,091 | 4,059,468 | 19.15% | 2,251,545 |
| Western | 4,440,785 | 18.61% | 2,123,401 | 3,925,921 | 18.52% | 2,074,752 |
| Bohai Rim | 4,058,595 | 17.01% | 1,584,573 | 3,578,965 | 16.88% | 1,548,690 |
| Central | 3,993,891 | 16.74% | 1,955,242 | 3,502,347 | 16.52% | 1,909,478 |
| Pearl River Delta | 3,936,980 | 16.50% | 2,262,981 | 3,534,462 | 16.68% | 2,171,934 |
| Head office | 1,026,719 | 4.30% | – | 942,131 | 4.45% | – |
| Northeastern | 975,595 | 4.09% | 373,238 | 898,474 | 4.24% | 380,965 |
| Overseas | 674,769 | 2.83% | 153,873 | 706,367 | 3.33% | 173,288 |
| Accrued interest | 50,618 | 0.21% | – | 48,995 | 0.23% | – |
| Gross loans and advances to customers | 23,861,600 | 100.00% | 10,824,399 | 21,197,130 | 100.00% | 10,510,652 |

Details of Stage 3 loans and allowances for impairment losses in respect of geographical sectors as at the end of the reporting period are as follows:

| | 31 December 2023 | | | |
|---|---|---|---|---|
| | Stage 3 Gross loan balance | Allowances for impairment losses | | |
| | | Stage 1 | Stage 2 | Stage 3 |
| Pearl River Delta | 80,208 | (59,079) | (26,402) | (60,631) |
| Central | 64,726 | (60,368) | (34,950) | (38,300) |
| Western | 46,204 | (70,754) | (48,749) | (29,634) |
| Bohai Rim | 40,809 | (55,580) | (31,755) | (27,429) |
| Yangtze River Delta | 36,544 | (80,750) | (26,073) | (25,952) |
| Northeastern | 27,433 | (12,817) | (12,774) | (18,803) |
| Head office | 16,608 | (22,208) | (7,281) | (15,160) |
| Overseas | 12,724 | (1,868) | (2,311) | (8,595) |
| Total | 325,256 | (363,424) | (190,295) | (224,504) |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (1) Credit risk (continued)

#### (d) *Loans and advances to customers analysed by geographical sector concentrations (continued)*

| | 31 December 2022 | | | |
|---|---|---|---|---|
| | Stage 3 Gross loan balance | Allowances for impairment losses | | |
| | | Stage 1 | Stage 2 | Stage 3 |
| Pearl River Delta | 64,260 | (54,965) | (23,396) | (39,332) |
| Central | 57,581 | (57,291) | (31,696) | (37,683) |
| Western | 41,120 | (65,155) | (43,326) | (25,144) |
| Bohai Rim | 40,967 | (53,623) | (31,244) | (25,944) |
| Yangtze River Delta | 37,465 | (72,993) | (26,587) | (22,257) |
| Northeastern | 26,620 | (13,127) | (13,554) | (18,183) |
| Head office | 13,541 | (20,237) | (4,590) | (12,122) |
| Overseas | 11,271 | (2,166) | (1,748) | (7,725) |
| Total | 292,825 | (339,557) | (176,141) | (188,390) |

The definitions of geographical segments are set out in Note 57(1). The above allowances for impairment losses do not include allowances for loans and advances measured at fair value through other comprehensive income.

#### (e) *Loans and advances to customers analysed by type of collateral*

| | **31 December 2023** | 31 December 2022 |
|---|---|---|
| Unsecured loans | **9,976,510** | 8,053,048 |
| Guaranteed loans | **3,010,073** | 2,584,435 |
| Loans secured by property and other immovable assets | **9,202,161** | 8,972,422 |
| Other pledged loans | **1,622,238** | 1,538,230 |
| Accrued interest | **50,618** | 48,995 |
| Gross loans and advances to customers | **23,861,600** | 21,197,130 |

#### (f) *Restructured loans and advances to customers*

The Bank implements the *Rules on Risk Classification of Financial Assets of Commercial Banks (CBIRC PBC Order [2023] No.1)* for its restructured loans and advances to customers. The proportion of the Group's restructured loans and advances to customers was not significant for the years ended 31 December 2023 and 2022.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (1) Credit risk (continued)

#### (g) Credit risk exposure

*Loans and advances to customers*

| | 31 December 2023 | | | |
|---|---|---|---|---|
| | **Stage 1 12-month ECL** | **Stage 2 Lifetime ECL** | **Stage 3 Lifetime ECL** | **Total** |
| Low risk | **22,695,036** | **208,913** | **–** | **22,903,949** |
| Medium risk | **–** | **581,777** | **–** | **581,777** |
| High risk | **–** | **–** | **325,256** | **325,256** |
| Gross loans and advances | **22,695,036** | **790,690** | **325,256** | **23,810,982** |
| Allowances for impairment losses on loans and advances measured at amortised cost | **(363,424)** | **(190,295)** | **(224,504)** | **(778,223)** |
| Allowances for impairment losses on loans and advances measured at fair value through other comprehensive income | **(1,431)** | **(461)** | **–** | **(1,892)** |

| | 31 December 2022 | | | |
|---|---|---|---|---|
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
| Low risk | 20,164,721 | 158,557 | – | 20,323,278 |
| Medium risk | – | 532,032 | – | 532,032 |
| High risk | – | – | 292,825 | 292,825 |
| Gross loans and advances | 20,164,721 | 690,589 | 292,825 | 21,148,135 |
| Allowances for impairment losses on loans and advances measured at amortised cost | (339,557) | (176,141) | (188,390) | (704,088) |
| Allowances for impairment losses on loans and advances measured at fair value through other comprehensive income | (2,610) | (553) | – | (3,163) |

The Group classifies credit risk characteristics based on the quality of assets. "Low risk" means that loans are of good credit quality and there are no sufficient reasons to doubt that the borrowers of loans are not expected to fulfill its contractual obligations to repay its loans, nor are there any other behaviors breaching the loan contracts and impacting significantly on the repayment of loans; "Medium risk" means that there are factors adversely impacting on the repayment capacity of borrowers, but there are as yet no behaviors impacting significantly on normal repayment of loans; "High risk" means that failure of borrowers to repay loans in accordance with loan contract terms, or other behaviors breaching the loan contracts and impacting significantly on the repayment of loans.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (1) Credit risk (continued)

#### (g) *Credit risk exposure (continued)*

*Off-balance sheet credit commitments*

As at 31 December 2023 and 2022, the Group's credit risk exposures in off-balance sheet credit commitments were primarily designated as Stage 1 and were primarily assigned the "Low Risk" credit risk rating.

*Financial investments*

| | 31 December 2023 | | | |
|---|---|---|---|---|
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
| Low risk | 8,910,166 | 502 | – | 8,910,668 |
| Medium risk | 12,032 | 509 | – | 12,541 |
| High risk | – | – | 14,481 | 14,481 |
| Total carrying amount excluding accrued interest | 8,922,198 | 1,011 | 14,481 | 8,937,690 |
| Allowance for impairment losses on financial assets measured at amortised cost | (11,716) | (80) | (13,050) | (24,846) |
| Allowance for impairment losses on financial assets measured at fair value through other comprehensive income | (5,019) | (17) | (372) | (5,408) |

| | 31 December 2022 | | | |
|---|---|---|---|---|
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
| Low risk | 7,860,432 | – | – | 7,860,432 |
| Medium risk | 15,855 | 1,740 | – | 17,595 |
| High risk | – | – | 19,943 | 19,943 |
| Total carrying amount excluding accrued interest | 7,876,287 | 1,740 | 19,943 | 7,897,970 |
| Allowance for impairment losses on financial assets measured at amortised cost | (17,768) | (199) | (16,901) | (34,868) |
| Allowance for impairment losses on financial assets measured at fair value through other comprehensive income | (5,558) | (42) | (372) | (5,972) |

The Group classifies financial investment risk characteristics based on asset eligibility and internal rating changes. "Low risk" means that the issuer's initial internal rating is above the eligible level, and there are no reasons to suspect that the financial investment is expected to be defaulted; "Medium risk" means that although the issuer's internal rating is reduced to a certain extent, but there are not enough reasons to suspect that the financial investment is expected to be defaulted; "High risk" means that there are obvious problems which may cause a default, or the financial investment indeed is defaulted.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (1) Credit risk (continued)

#### (g) *Credit risk exposure (continued)*

*Amounts due from banks and non-bank financial institutions*

Amounts due from banks and non-bank financial institutions include deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

| | **31 December 2023** | | | |
|---|---|---|---|---|
| | **Stage 1 12-month ECL** | **Stage 2 lifetime ECL** | **Stage 3 lifetime ECL** | **Total** |
| Low risk | **1,798,447** | **–** | **–** | **1,798,447** |
| Medium risk | **–** | **–** | **–** | **–** |
| High risk | **–** | **–** | **–** | **–** |
| Total carrying amount excluding accrued interest | **1,798,447** | **–** | **–** | **1,798,447** |
| Allowance for impairment losses | **(1,273)** | **–** | **–** | **(1,273)** |

| | 31 December 2022 | | | |
|---|---|---|---|---|
| | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | Total |
| Low risk | 1,733,286 | – | – | 1,733,286 |
| Medium risk | – | – | – | – |
| High risk | – | – | – | – |
| Total carrying amount excluding accrued interest | 1,733,286 | – | – | 1,733,286 |
| Allowance for impairment losses | (1,477) | – | – | (1,477) |

The Group classifies risk characteristics of amounts due from banks and non-bank financial institutions based on asset eligibility and internal rating changes. “Low risk” means that the issuer’s initial internal rating is above the eligible level, and there are no reasons to suspect that the amount due from banks and non-bank financial institutions is expected to be defaulted; “Medium risk” means that although the issuer’s internal rating is reduced to a certain extent, but there are not enough reasons to suspect that the amount due from banks and non-bank financial institutions is expected to be defaulted; “High risk” means that there are obvious problems which may cause a default, or the amount due from banks and non-bank financial institutions indeed is defaulted.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (1) Credit risk (continued)

*(h) Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:*

| | **31 December 2023** | 31 December 2022 |
|---|---|---|
| Credit-impaired | **–** | – |
| Allowances for impairment losses | **–** | – |
| Subtotal | **–** | – |
| Neither overdue nor credit-impaired | | |
| – grades A to AAA | **1,307,765** | 1,237,539 |
| – grades B to BBB | **24,260** | 1,208 |
| – unrated | **466,422** | 494,539 |
| Accrued interest | **5,812** | 4,247 |
| Total | **1,804,259** | 1,737,533 |
| Allowances for impairment losses | **(1,273)** | (1,477) |
| Subtotal | **1,802,986** | 1,736,056 |
| Total | **1,802,986** | 1,736,056 |

Amounts neither overdue nor credit-impaired are analysed above according to the Group's internal credit ratings. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of banks and non-bank financial institutions for which the Group has not assigned internal credit ratings.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (1) Credit risk (continued)

#### (i) Distribution of debt investments analysed by rating

The Group adopts a credit rating approach to manage the credit risk of the debt investment portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of the debt investments are located. The carrying amounts of the debt investments analysed by the rating agency designations as at the end of the reporting period are as follows:

| | 31 December 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Unrated | AAA | AA | A | Lower than A | Total |
| Credit-impaired | | | | | | |
| – Banks and non-bank financial institutions | 820 | – | – | – | – | 820 |
| – Enterprises | 10,299 | 315 | 144 | – | 3,462 | 14,220 |
| Total | 11,119 | 315 | 144 | – | 3,462 | 15,040 |
| Allowances for impairment losses | | | | | | (13,050) |
| Subtotal | | | | | | 1,990 |
| Neither overdue nor credit-impaired | | | | | | |
| – Government | 2,997,613 | 4,340,352 | 14,088 | 35,604 | 14,156 | 7,401,813 |
| – Central banks | 14,820 | 536 | 24,093 | 1,907 | 1,859 | 43,215 |
| – Policy banks | 825,872 | – | – | 74,310 | – | 900,182 |
| – Banks and non-bank financial institutions | 221,772 | 337,949 | 24,768 | 77,973 | 23,995 | 686,457 |
| – Enterprises | 15,827 | 302,689 | 14,394 | 28,634 | 4,919 | 366,463 |
| Total | 4,075,904 | 4,981,526 | 77,343 | 218,428 | 44,929 | 9,398,130 |
| Allowances for impairment losses | | | | | | (11,796) |
| Subtotal | | | | | | 9,386,334 |
| Total | | | | | | 9,388,324 |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (1) Credit risk (continued)

#### (i) *Distribution of debt investments analysed by rating (continued)*

| | 31 December 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Unrated | AAA | AA | A | Lower than A | Total |
| Credit-impaired | | | | | | |
| – Banks and non-bank financial institutions | 878 | – | – | – | 149 | 1,027 |
| – Enterprises | 14,628 | – | 2,004 | – | 3,096 | 19,728 |
| Total | 15,506 | – | 2,004 | – | 3,245 | 20,755 |
| Allowances for impairment losses | | | | | | (16,901) |
| Subtotal | | | | | | 3,854 |
| Neither overdue nor credit-impaired | | | | | | |
| – Government | 2,441,013 | 3,787,653 | 9,417 | 278,210 | 19,102 | 6,535,395 |
| – Central banks | 11,208 | 2,300 | 32,049 | 747 | 1,134 | 47,438 |
| – Policy banks | 769,318 | 6,178 | 1,585 | 43,655 | – | 820,736 |
| – Banks and non-bank financial institutions | 143,175 | 277,305 | 11,184 | 54,983 | 12,293 | 498,940 |
| – Enterprises | 64,996 | 307,042 | 7,598 | 34,692 | 4,076 | 418,404 |
| Total | 3,429,710 | 4,380,478 | 61,833 | 412,287 | 36,605 | 8,320,913 |
| Allowances for impairment losses | | | | | | (17,967) |
| Subtotal | | | | | | 8,302,946 |
| Total | | | | | | 8,306,800 |

#### (j) *Credit risk arising from the Group's derivative exposures*

The Group's derivatives transactions entered into with customers have been hedged against transactions entered into with banks and non-bank financial institutions. The credit risk the Group is exposed to is related to customers, banks and non-bank financial institutions. The Group manages credit risk through regular monitoring.

#### (k) *Settlement risk*

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (1) Credit risk (continued)

#### (l) *Sensitivity analysis*

Models and parameters such as forward-looking empirical models, forecast values of macroeconomic variables and stage designation results would have an impact on ECL.

*(i) Sensitivity analysis of segmentation*

A significant increase in credit risk since initial recognition will result in financial assets transferring from Stage 1 to Stage 2, and the loss allowance for those financial assets shall be measured at an amount equal to the lifetime expected credit losses. The following tables present the impact of ECL from the second year to the end of the lifetime for financial assets in Stage 2.

| | **31 December 2023** | | |
|---|---|---|---|
| | **Allowances for 12-month ECL of all performing financial assets** | **Impact over lifetime** | **Current allowances for impairment losses** |
| Performing loans | **504,308** | **49,411** | **553,719** |
| Performing financial investments | **16,827** | **5** | **16,832** |

| | 31 December 2022 | | |
|---|---|---|---|
| | Allowances for 12-month ECL of all performing financial assets | Impact over lifetime | Current allowances for impairment losses |
| Performing loans | 478,219 | 37,479 | 515,698 |
| Performing financial investments | 23,548 | 19 | 23,567 |

The above allowances for impairment losses of financial assets did not contain the impairment loss allowances for loans and advances measured at fair value through other comprehensive income.

*(ii) Sensitivity analysis of macroeconomic variables*

The Group has carried out sensitivity analysis of GDP forecast. As at 31 December 2023, when GDP growth rate in the baseline scenario increased or decreased by 10%, the change in allowances for impairment losses of financial assets did not exceed 5% (as at 31 December 2022: did not exceed 5%).

### (2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses. A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. Non-trading book records those financial instruments and commodities which are not included in the trading book.

The Group continues to improve market risk management system. The Risk Management Department is responsible for leading the establishment of market risk management policies and rules, developing the market risk measurement tools, monitoring and reporting the trading market risk and related daily work. The Asset and Liability Management Department (the "ALM") is responsible for managing non-trading interest rate risk, exchange rate risk and the size and structure of the assets and liabilities in response to structural market risk. The Financial Market Department manages the Bank's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

The Group's interest rate risk mainly comprises repricing risk and basis risk arising from the mismatch of term structure and pricing basis of assets and liabilities. The Group uses multiple tools such as repricing gap analysis, sensitivity analysis on net interest income, scenario analysis and stress testing, to monitor the interest rate risk periodically.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (2) Market risk (continued)

The Group's foreign exchange exposures mainly comprise exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposures by spot foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-Risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

#### *(a) VaR analysis*

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates of all books and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rates, foreign exchange rates and commodity prices VaR for the Bank's trading portfolio. By reference to historical movements in interest rates, foreign exchange rates and commodity prices, the Risk Management Department calculates VaR on a daily basis for the trading portfolio and monitors it regularly. VaR is calculated at a confidence level of 99% and with a holding period of one day.

A summary of the VaR of the Bank's trading portfolio as at the end of the reporting period and during the respective years is as follows:

| | | **2023** | | | |
|---|---|---|---|---|---|
| | Note | **As at 31 December** | **Average** | **Maximum** | **Minimum** |
| **VaR of trading portfolio** | | **272** | **265** | **427** | **176** |
| Of which: | | | | | |
| – Interest rate risk | | **22** | **43** | **68** | **22** |
| – Foreign exchange risk | (i) | **269** | **257** | **427** | **154** |
| – Commodity risk | | **1** | **1** | **10** | **–** |

| | | 2022 | | | |
|---|---|---|---|---|---|
| | Note | As at 31 December | Average | Maximum | Minimum |
| **VaR of trading portfolio** | | 190 | 144 | 198 | 100 |
| Of which: | | | | | |
| – Interest rate risk | | 56 | 30 | 63 | 19 |
| – Foreign exchange risk | (i) | 182 | 139 | 193 | 103 |
| – Commodity risk | | 1 | 3 | 24 | – |

(i) The VaR in relation to bullion is included in the foreign exchange risk above.

VaR for each risk factor is the independently derived largest potential loss for a specific holding period and at a given confidence level due to fluctuations solely in that risk factor. The individual VaRs do not add up to the total VaR as there is diversification effect due to correlation amongst the risk factors.

## 62 Risk management (continued)

### (2) Market risk (continued)

#### *(a) VaR analysis (continued)*

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

- A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Within the model used, there is 1 percent probability that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and
- The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

#### *(b) Net interest income sensitivity analysis*

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to deposits with central banks, would increase or decrease annualised net interest income of the Group by RMB51,907 million (as at 31 December 2022: RMB62,482 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the annualised net interest income of the Group would decrease or increase by RMB89,293 million (as at 31 December 2022: RMB81,120 million).

The above interest rate sensitivity is for illustration purposes only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income movements under various predicted yield curve scenarios and subject to the Bank's current interest rate exposures. However, the possible risk management measures that can be undertaken by the interest risk management department or related business departments to mitigate interest rate risk have not been taken into account. In practice, the departments that manage the interest rate risk strive to reduce loss arising from the risk while increasing the net income. These figures are estimated on the assumption that the interest rates on various maturities will move within similar ranges, and therefore do not reflect the potential net interest income changes in the event that interest rates on some maturities may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions, including that all positions will be held to maturity and rolled over upon maturity.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (2) Market risk (continued)

#### (c) *Interest rate risk*

Interest rate risk refers to the risk where the market interest rates, term structure and other factors may experience unfavourable fluctuations which impact the overall profitability and fair value resulting in losses to the Bank. The key determinants of the Group's interest rate risk arise from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in re-pricing risk and basis risk.

The ALM is responsible for regularly monitoring the interest rate risk positions and measuring the interest rate re-pricing gap. The main reason for measuring the interest rate re-pricing gap is to assist in analysing the impact of interest rate changes on net interest income.

The following tables indicate the analysis by the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the reporting period.

| | | 31 December 2023 | | | | | |
|---|---|---|---|---|---|---|---|
| | Note | Non-interest-bearing | Within three months | Between three months and one year | Between one and five years | More than five years | Total |
| **Assets** | | | | | | | |
| Cash and deposits with central banks | | 90,697 | 2,975,231 | 130 | – | – | 3,066,058 |
| Deposits and placements with banks and non-bank financial institutions | | – | 490,019 | 326,326 | 7,143 | – | 823,488 |
| Financial assets held under resale agreements | | – | 979,498 | – | – | – | 979,498 |
| Loans and advances to customers | (i) | 34,405 | 10,647,006 | 11,542,958 | 702,410 | 156,598 | 23,083,377 |
| Investments | (ii) | 272,857 | 490,814 | 774,553 | 3,306,550 | 4,814,485 | 9,659,259 |
| Others | | 713,146 | – | – | – | – | 713,146 |
| Total assets | | 1,111,105 | 15,582,568 | 12,643,967 | 4,016,103 | 4,971,083 | 38,324,826 |
| **Liabilities** | | | | | | | |
| Borrowings from central banks | | – | 247,662 | 906,948 | 1,024 | – | 1,155,634 |
| Deposits and placements from banks and non-bank financial institutions | | – | 2,521,325 | 282,103 | 391,380 | 4,980 | 3,199,788 |
| Financial liabilities measured at fair value through profit or loss | | 12,905 | 195,197 | 44,077 | – | – | 252,179 |
| Financial assets sold under repurchase agreements | | – | 224,058 | 10,520 | – | – | 234,578 |
| Deposits from customers | | 80,413 | 15,767,684 | 4,662,033 | 7,139,044 | 4,837 | 27,654,011 |
| Debt securities issued | | – | 760,532 | 565,905 | 474,198 | 95,100 | 1,895,735 |
| Others | | 760,827 | – | – | – | – | 760,827 |
| Total liabilities | | 854,145 | 19,716,458 | 6,471,586 | 8,005,646 | 104,917 | 35,152,752 |
| **Asset-liability gap** | | 256,960 | (4,133,890) | 6,172,381 | (3,989,543) | 4,866,166 | 3,172,074 |

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (2) Market risk (continued)

#### (c) *Interest rate risk (continued)*

| | | 31 December 2022 | | | | | |
|---|---|---|---|---|---|---|---|
| | Note | Non-interest-bearing | Within three months | Between three months and one year | Between one and five years | More than five years | Total |
| **Assets** | | | | | | | |
| Cash and deposits with central banks | | 85,215 | 3,070,046 | 4,035 | – | – | 3,159,296 |
| Deposits and placements with banks and non-bank financial institutions | | – | 497,896 | 195,195 | 2,118 | – | 695,209 |
| Financial assets held under resale agreements | | – | 1,038,374 | 2,473 | – | – | 1,040,847 |
| Loans and advances to customers | (i) | 30,928 | 9,330,925 | 10,240,174 | 612,919 | 278,096 | 20,493,042 |
| Investments | (ii) | 267,392 | 305,013 | 858,608 | 2,715,526 | 4,418,473 | 8,565,012 |
| Others | | 647,305 | – | – | – | – | 647,305 |
| Total assets | | 1,030,840 | 14,242,254 | 11,300,485 | 3,330,563 | 4,696,569 | 34,600,711 |
| **Liabilities** | | | | | | | |
| Borrowings from central banks | | – | 195,960 | 578,080 | 739 | – | 774,779 |
| Deposits and placements from banks and non-bank financial institutions | | – | 2,621,111 | 277,122 | 46,157 | 5,641 | 2,950,031 |
| Financial liabilities measured at fair value through profit or loss | | 14,587 | 210,140 | 64,373 | – | – | 289,100 |
| Financial assets sold under repurchase agreements | | – | 236,278 | 5,460 | 938 | – | 242,676 |
| Deposits from customers | | 81,070 | 15,456,039 | 4,158,108 | 5,320,964 | 4,626 | 25,020,807 |
| Debt securities issued | | – | 418,383 | 721,843 | 441,604 | 65,040 | 1,646,870 |
| Others | | 800,204 | – | – | – | – | 800,204 |
| Total liabilities | | 895,861 | 19,137,911 | 5,804,986 | 5,810,402 | 75,307 | 31,724,467 |
| **Asset-liability gap** | | 134,979 | (4,895,657) | 5,495,499 | (2,479,839) | 4,621,262 | 2,876,244 |

(i) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB54,750 million as at 31 December 2023 (as at 31 December 2022: RMB59,288 million).

(ii) Investments include financial assets measured at fair value through profit or loss, financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and long-term equity investments, etc.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (2) Market risk (continued)

#### *(d) Currency risk*

The Group's foreign exchange exposures mainly comprise exposures that arise from the foreign currency proprietary investments of the treasury business and currency exposures originated by the Group's overseas businesses.

The Group manages currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group actively manages foreign currency exposures by minimising foreign exchange risk by business lines. Therefore, the net exposure is not sensitive to exchange rate fluctuations and the potential impact on the pre-tax profits and other comprehensive income of the Group is not material.

The currency exposures of the Group's assets and liabilities as at the end of the reporting period are as follows:

| | | 31 December 2023 | | | |
|---|---|---|---|---|---|
| | Note | RMB | USD (RMB equivalent) | Others (RMB equivalent) | Total |
| **Assets** | | | | | |
| Cash and deposits with central banks | | 2,846,966 | 150,288 | 68,804 | 3,066,058 |
| Deposits and placements with banks and non-bank financial institutions | | 544,235 | 224,286 | 54,967 | 823,488 |
| Financial assets held under resale agreements | | 977,161 | 1,843 | 494 | 979,498 |
| Loans and advances to customers | | 22,325,807 | 383,857 | 373,713 | 23,083,377 |
| Investments | (i) | 9,279,590 | 241,867 | 137,802 | 9,659,259 |
| Others | | 579,300 | 60,346 | 73,500 | 713,146 |
| Total assets | | 36,553,059 | 1,062,487 | 709,280 | 38,324,826 |
| **Liabilities** | | | | | |
| Borrowings from central banks | | 1,086,514 | 21,596 | 47,524 | 1,155,634 |
| Deposits and placements from banks and non-bank financial institutions | | 2,796,119 | 285,381 | 118,288 | 3,199,788 |
| Financial liabilities measured at fair value through profit or loss | | 245,798 | 794 | 5,587 | 252,179 |
| Financial assets sold under repurchase agreements | | 207,379 | 19,856 | 7,343 | 234,578 |
| Deposits from customers | | 26,817,312 | 538,766 | 297,933 | 27,654,011 |
| Debt securities issued | | 1,578,299 | 217,796 | 99,640 | 1,895,735 |
| Others | | 695,764 | 14,134 | 50,929 | 760,827 |
| Total liabilities | | 33,427,185 | 1,098,323 | 627,244 | 35,152,752 |
| **Net position** | | 3,125,874 | (35,836) | 82,036 | 3,172,074 |
| Net notional amount of derivatives | | (5,552) | (7,289) | 12,210 | (631) |
| Credit commitments | | 3,372,627 | 296,013 | 161,599 | 3,830,239 |

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (2) Market risk (continued)

#### *(d) Currency risk (continued)*

| | | 31 December 2022 | | | |
|---|---|---|---|---|---|
| | Note | RMB | USD (RMB equivalent) | Others (RMB equivalent) | Total |
| **Assets** | | | | | |
| Cash and deposits with central banks | | 2,950,769 | 140,554 | 67,973 | 3,159,296 |
| Deposits and placements with banks and non-bank financial institutions | | 458,566 | 210,325 | 26,318 | 695,209 |
| Financial assets held under resale agreements | | 1,032,998 | 4,142 | 3,707 | 1,040,847 |
| Loans and advances to customers | | 19,677,466 | 449,561 | 366,015 | 20,493,042 |
| Investments | (i) | 8,260,557 | 182,763 | 121,692 | 8,565,012 |
| Others | | 543,718 | 67,351 | 36,236 | 647,305 |
| Total assets | | 32,924,074 | 1,054,696 | 621,941 | 34,600,711 |
| **Liabilities** | | | | | |
| Borrowings from central banks | | 739,697 | 15,605 | 19,477 | 774,779 |
| Deposits and placements from banks and non-bank financial institutions | | 2,603,922 | 240,358 | 105,751 | 2,950,031 |
| Financial liabilities measured at fair value through profit or loss | | 288,173 | 779 | 148 | 289,100 |
| Financial assets sold under repurchase agreements | | 224,306 | 9,561 | 8,809 | 242,676 |
| Deposits from customers | | 24,191,115 | 557,359 | 272,333 | 25,020,807 |
| Debt securities issued | | 1,410,432 | 172,777 | 63,661 | 1,646,870 |
| Others | | 742,455 | 31,151 | 26,598 | 800,204 |
| Total liabilities | | 30,200,100 | 1,027,590 | 496,777 | 31,724,467 |
| **Net position** | | 2,723,974 | 27,106 | 125,164 | 2,876,244 |
| Net notional amount of derivatives | | 79,464 | (3,525) | (73,124) | 2,815 |
| Credit commitments | | 3,173,066 | 333,509 | 179,952 | 3,686,527 |

(i) Please refer to Note 62(2)(c)(ii) for the scope of investments.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (3) Liquidity risk

The Board assumes the ultimate responsibility for liquidity risk management and reviews and approves liquidity risk strategy and risk appetite. The senior management carries out liquidity risk strategy set by the Board and organises the implementation of liquidity risk management activities. The board of supervisors supervises and evaluates the performance of the Board and senior management in liquidity risk management. The Asset & Liability Management Department leads the Bank's daily liquidity risk management and forms an implementation system together with business management departments and branches to perform various duties in liquidity risk management. The subsidiaries assume primary responsibility for their own liquidity risk management.

The Group adheres to a liquidity management strategy featuring prudence, decentralisation, coordination and diversification. Management's objective for liquidity risk management is to establish and improve a liquidity management system that can fully identify, accurately measure, continuously monitor, and effectively control liquidity risk, effectively balance the return on funds and security of funds, and safeguard the steady operation across the Bank. In light of regulatory requirements, external macro environment, and the Bank's business development, the Head Office formulates approaches for liquidity risk identification, measurement and monitoring, sets out risk limit management criteria, carries out daily liquidity management, periodically conducts stress testing at the group level, and reviews and assesses contingency plans.

The Group conducts quarterly liquidity risk stress testing in order to gauge its risk tolerance in unlikely extreme scenarios and other adverse scenarios. It has improved its liquidity risk stress testing methods in accordance with regulatory and internal management requirements. The key factors and events set by the stress testing as having an impact on liquidity risk include significant decline in the ability to liquidate current assets, significant loss of wholesale and retail deposits, reduction of the availability of wholesale and retail financing, reduction of financing duration and increase in financing cost, significant adverse changes in market liquidity conditions, and sudden suspension of the Bank's payment and settlement system. The results of stress testing show that under different stress scenarios, the Group's liquidity risk is under control.

The Group adopts liquidity indicator analysis, remaining maturity analysis and undiscounted cash flow analysis to measure the liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (3) Liquidity risk (continued)

#### *(a) Maturity analysis*

The following tables provide an analysis of the assets and liabilities of the Group based on the remaining periods to repayment as at the end of the reporting period:

| | 31 December 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Indefinite | Repayable on demand | Within one month | Between one and three months | Between three months and one year | Between one and five years | More than five years | Total |
| **Assets** | | | | | | | | |
| Cash and deposits with central banks | 2,467,007 | 597,615 | – | 1,306 | 130 | – | – | 3,066,058 |
| Deposits and placements with banks and non-bank financial institutions | – | 74,424 | 283,769 | 131,334 | 326,328 | 7,633 | – | 823,488 |
| Financial assets held under resale agreements | – | – | 979,453 | 45 | – | – | – | 979,498 |
| Loans and advances to customers | 82,917 | 972,512 | 725,550 | 1,482,748 | 5,282,119 | 6,397,276 | 8,140,255 | 23,083,377 |
| Investments | | | | | | | | |
| – Financial assets measured at fair value through profit or loss | 209,716 | 31,166 | 8,882 | 23,517 | 56,466 | 66,708 | 205,848 | 602,303 |
| – Financial assets measured at amortised cost | – | – | 34,383 | 93,308 | 391,152 | 2,133,983 | 4,148,416 | 6,801,242 |
| – Financial assets measured at fair value through other comprehensive income | 9,949 | – | 100,539 | 173,990 | 347,687 | 1,132,039 | 470,527 | 2,234,731 |
| – Long-term equity investments | 20,983 | – | – | – | – | – | – | 20,983 |
| Others | 341,372 | 151,645 | 47,331 | 38,771 | 31,761 | 15,927 | 86,339 | 713,146 |
| Total assets | 3,131,944 | 1,827,362 | 2,179,907 | 1,945,019 | 6,435,643 | 9,753,566 | 13,051,385 | 38,324,826 |
| **Liabilities** | | | | | | | | |
| Borrowings from central banks | – | – | 129,997 | 117,665 | 906,948 | 1,024 | – | 1,155,634 |
| Deposits and placements from banks and non-bank financial institutions | – | 1,987,259 | 355,168 | 162,765 | 282,726 | 400,539 | 11,331 | 3,199,788 |
| Financial liabilities measured at fair value through profit or loss | – | 12,905 | 124,869 | 70,328 | 44,077 | – | – | 252,179 |
| Financial assets sold under repurchase agreements | – | – | 211,159 | 12,899 | 10,520 | – | – | 234,578 |
| Deposits from customers | – | 12,228,538 | 1,781,842 | 1,834,637 | 4,663,036 | 7,139,081 | 6,877 | 27,654,011 |
| Debt securities issued | – | – | 259,359 | 483,578 | 574,584 | 483,114 | 95,100 | 1,895,735 |
| Others | 5,092 | 221,511 | 80,183 | 31,791 | 76,506 | 91,952 | 253,792 | 760,827 |
| Total liabilities | 5,092 | 14,450,213 | 2,942,577 | 2,713,663 | 6,558,397 | 8,115,710 | 367,100 | 35,152,752 |
| **Net gaps** | 3,126,852 | (12,622,851) | (762,670) | (768,644) | (122,754) | 1,637,856 | 12,684,285 | 3,172,074 |
| Notional amount of derivatives | | | | | | | | |
| – Interest rate contracts | – | – | 187,695 | 256,442 | 665,785 | 227,090 | 15,180 | 1,352,192 |
| – Exchange rate contracts | – | – | 866,760 | 748,169 | 1,969,422 | 126,051 | 1,435 | 3,711,837 |
| – Other contracts | – | – | 55,648 | 39,159 | 94,699 | 2,575 | – | 192,081 |
| Total | – | – | 1,110,103 | 1,043,770 | 2,729,906 | 355,716 | 16,615 | 5,256,110 |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (3) Liquidity risk (continued)

#### *(a) Maturity analysis (continued)*

| | 31 December 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Indefinite | Repayable on demand | Within one month | Between one and three months | Between three months and one year | Between one and five years | More than five years | Total |
| **Assets** | | | | | | | | |
| Cash and deposits with central banks | 2,339,027 | 814,971 | – | 1,263 | 4,035 | – | – | 3,159,296 |
| Deposits and placements with banks and non-bank financial institutions | – | 61,534 | 319,636 | 116,490 | 195,291 | 2,258 | – | 695,209 |
| Financial assets held under resale agreements | – | – | 1,038,251 | 123 | 2,473 | – | – | 1,040,847 |
| Loans and advances to customers | 122,358 | 1,026,785 | 527,378 | 1,095,765 | 4,400,733 | 5,123,034 | 8,196,989 | 20,493,042 |
| Investments | | | | | | | | |
| – Financial assets measured at fair value through profit or loss | 219,546 | 14,293 | 6,337 | 26,208 | 68,030 | 50,997 | 182,686 | 568,097 |
| – Financial assets measured at amortised cost | – | – | 17,368 | 88,273 | 453,285 | 1,722,594 | 3,676,877 | 5,958,397 |
| – Financial assets measured at fair value through other comprehensive income | 7,447 | – | 46,627 | 90,396 | 341,719 | 966,652 | 562,977 | 2,015,818 |
| – Long-term equity investments | 22,700 | – | – | – | – | – | – | 22,700 |
| Others | 332,142 | 108,103 | 14,545 | 38,921 | 30,572 | 19,617 | 103,405 | 647,305 |
| Total assets | 3,043,220 | 2,025,686 | 1,970,142 | 1,457,439 | 5,496,138 | 7,885,152 | 12,722,934 | 34,600,711 |
| **Liabilities** | | | | | | | | |
| Borrowings from central banks | – | – | 124,173 | 71,787 | 578,080 | 739 | – | 774,779 |
| Deposits and placements from banks and non-bank financial institutions | – | 2,177,349 | 239,421 | 195,608 | 278,549 | 50,637 | 8,467 | 2,950,031 |
| Financial liabilities measured at fair value through profit or loss | – | 14,587 | 126,318 | 83,822 | 64,373 | – | – | 289,100 |
| Financial assets sold under repurchase agreements | – | – | 232,007 | 4,271 | 5,460 | 938 | – | 242,676 |
| Deposits from customers | – | 12,403,432 | 1,780,198 | 1,302,104 | 4,092,710 | 5,434,784 | 7,579 | 25,020,807 |
| Debt securities issued | – | – | 123,391 | 273,087 | 728,747 | 456,605 | 65,040 | 1,646,870 |
| Others | 89,105 | 173,608 | 54,746 | 42,203 | 89,634 | 123,415 | 227,493 | 800,204 |
| Total liabilities | 89,105 | 14,768,976 | 2,680,254 | 1,972,882 | 5,837,553 | 6,067,118 | 308,579 | 31,724,467 |
| **Net gaps** | 2,954,115 | (12,743,290) | (710,112) | (515,443) | (341,415) | 1,818,034 | 12,414,355 | 2,876,244 |
| Notional amount of derivatives | | | | | | | | |
| – Interest rate contracts | – | – | 155,091 | 124,077 | 198,561 | 163,940 | 12,890 | 654,559 |
| – Exchange rate contracts | – | – | 576,792 | 778,075 | 1,237,276 | 92,329 | 1,049 | 2,685,521 |
| – Other contracts | – | – | 46,992 | 37,044 | 41,136 | 2,469 | – | 127,641 |
| Total | – | – | 778,875 | 939,196 | 1,476,973 | 258,738 | 13,939 | 3,467,721 |

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (3) Liquidity risk (continued)

#### *(b) Contractual undiscounted cash flow*

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments of the Group as at the end of the reporting period. The Group's expected cash flows on these instruments may vary significantly from this analysis.

| | 31 December 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | Gross cash outflow | Repayable on demand | Within one month | Between one and three months | Between three months and one year | Between one and five years | More than five years |
| **Non-derivative financial liabilities** | | | | | | | | |
| Borrowings from central banks | 1,155,634 | 1,172,995 | – | 130,926 | 118,199 | 922,837 | 1,033 | – |
| Deposits and placements from banks and non-bank financial institutions | 3,199,788 | 3,238,349 | 1,987,259 | 355,482 | 164,208 | 289,372 | 429,294 | 12,734 |
| Financial liabilities measured at fair value through profit or loss | 252,179 | 252,179 | 12,905 | 124,869 | 70,328 | 44,077 | – | – |
| Financial assets sold under repurchase agreements | 234,578 | 235,002 | – | 211,206 | 13,021 | 10,775 | – | – |
| Deposits from customers | 27,654,011 | 28,570,339 | 12,229,863 | 1,818,365 | 1,909,379 | 4,856,778 | 7,748,618 | 7,336 |
| Debt securities issued | 1,895,735 | 1,986,845 | – | 260,243 | 485,918 | 598,602 | 534,697 | 107,385 |
| Other non-derivative financial liabilities | 484,687 | 683,826 | 73,027 | 32,518 | 16,783 | 37,705 | 82,604 | 441,189 |
| Total | 34,876,612 | 36,139,535 | 14,303,054 | 2,933,609 | 2,777,836 | 6,760,146 | 8,796,246 | 568,644 |
| Off-balance sheet loan commitments and credit card commitments (Note) | | 1,611,820 | 1,176,826 | 5,927 | 6,004 | 64,521 | 138,604 | 219,938 |
| Guarantees, acceptances and other credit commitments (Note) | | 2,218,419 | 291 | 317,493 | 341,279 | 946,637 | 573,670 | 39,049 |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (3) Liquidity risk (continued)

#### (b) *Contractual undiscounted cash flow (continued)*

| | 31 December 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | Gross cash outflow | Repayable on demand | Within one month | Between one and three months | Between three months and one year | Between one and five years | More than five years |
| **Non-derivative financial liabilities** | | | | | | | | |
| Borrowings from central banks | 774,779 | 786,545 | – | 124,967 | 72,188 | 588,651 | 739 | – |
| Deposits and placements from banks and non-bank financial institutions | 2,950,031 | 2,962,042 | 2,177,349 | 239,709 | 196,748 | 283,581 | 55,211 | 9,444 |
| Financial liabilities measured at fair value through profit or loss | 289,100 | 289,100 | 14,587 | 126,318 | 83,822 | 64,373 | – | – |
| Financial assets sold under repurchase agreements | 242,676 | 242,952 | – | 232,080 | 4,302 | 5,557 | 1,013 | – |
| Deposits from customers | 25,020,807 | 25,833,757 | 12,413,718 | 1,784,687 | 1,338,178 | 4,316,430 | 5,971,862 | 8,882 |
| Debt securities issued | 1,646,870 | 1,750,474 | – | 125,796 | 280,227 | 760,201 | 508,294 | 75,956 |
| Other non-derivative financial liabilities | 532,018 | 663,359 | 96,870 | 40,221 | 20,818 | 46,500 | 117,562 | 341,388 |
| Total | 31,456,281 | 32,528,229 | 14,702,524 | 2,673,778 | 1,996,283 | 6,065,293 | 6,654,681 | 435,670 |
| Off-balance sheet loan commitments and credit card commitments (Note) | | 1,652,442 | 1,158,864 | 6,765 | 16,050 | 121,786 | 165,119 | 183,858 |
| Guarantees, acceptances and other credit commitments (Note) | | 2,034,085 | 496 | 281,882 | 253,671 | 915,139 | 534,171 | 48,726 |

Note: The off-balance sheet loan commitments and credit card commitments may expire without being drawn upon. Guarantees, acceptances and other credit commitments do not represent the amounts to be paid.

### (4) Operational risk

Operational risk refers to the risk of loss resulting from problems with internal processes, people and systems or from external events. Such risk includes legal risk, but excludes strategic risk and reputational risk.

In 2023, the Group took the opportunity of promoting the implementation of standardised approach for operational risk under Basel III to effectively improve operational risk management.

In light of the Capital Rules for Commercial Banks, the Bank strengthened data management of losses from operational risk, established a management mechanism for business indicators, and set up an operational risk measurement system based on the standardised approach, thus comprehensively reinforcing regulatory compliance. It strengthened business continuity management, improved rules and regulations in a scientific manner, defined the Bank's key businesses and resources, improved management strategies, developed emergency plans and organised emergency drills, so as to consolidate management foundation, enhance operational resilience, and be well prepared for operational risk exposures. It produced educational videos on topics of compliance to guide and regulate the way people act or behave, developed a compliance model for employee behaviours, explored intelligent governance, and improved its ability to detect noncompliance. It also reviewed employee behaviours and took appropriate actions for any misconducts, to mitigate risks arising from employee behaviours. It organized a dynamic audit of key operational risk matters of employees, focusing on risk prevention and control of legal cases, staff behavior management and staff violations.

## 62 Risk management (continued)

### (5) Fair value of financial instruments

#### *(a) Valuation process, technique and input*

The Board is responsible for establishing a robust internal control policy of valuation, and takes the ultimate responsibility for the adequacy and effectiveness of internal control system. The board of supervisors takes charge of supervising the performance of the Board and senior management. According to the requirements of the Board and the Board of Supervisors, senior management is responsible for organising and implementing the internal control system over the valuation process to ensure the effectiveness of the internal control system of valuation.

The Group has established an independent valuation process for financial assets and financial liabilities. The relevant departments are responsible for performing valuation, verifying valuation model and accounting of valuation results.

For the year ended 31 December 2023, there was no significant change in the valuation techniques or inputs used to determine fair value as compared to those used for the year ended 31 December 2022.

#### *(b) Fair value hierarchy*

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (5) Fair value of financial instruments (continued)

#### *(c) Financial instruments measured at fair value*

*(i) Fair value hierarchy*

The tables below analyse financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

| | 31 December 2023 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Measured at fair value on a recurring basis** | | | | |
| **Assets** | | | | |
| Positive fair value of derivatives | – | 43,832 | 8 | 43,840 |
| Loans and advances to customers | | | | |
| – Loans and advances to customers measured at fair value through other comprehensive income | – | 1,104,787 | – | 1,104,787 |
| Financial assets measured at fair value through profit or loss | | | | |
| *Financial assets held for trading purposes* | | | | |
| – Debt securities | 2,219 | 125,766 | – | 127,985 |
| – Equity instruments and funds | 374 | 1,089 | – | 1,463 |
| *Other financial assets measured at fair value through profit or loss* | | | | |
| – Credit investments | – | 52,868 | 27,879 | 80,747 |
| – Debt securities | 45 | 152,391 | 1,131 | 153,567 |
| – Funds and others | 15,222 | 87,939 | 135,380 | 238,541 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| – Debt securities | 249,246 | 1,975,483 | 54 | 2,224,783 |
| – Equity instruments designated as measured at fair value through other comprehensive income | 2,509 | – | 7,439 | 9,948 |
| Total | 269,615 | 3,544,155 | 171,891 | 3,985,661 |
| **Measured at fair value on a recurring basis** | | | | |
| **Liabilities** | | | | |
| Financial liabilities measured at fair value through profit or loss | – | 251,492 | 687 | 252,179 |
| Negative fair value of derivatives | – | 41,860 | 8 | 41,868 |
| Total | – | 293,352 | 695 | 294,047 |

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (5) Fair value of financial instruments (continued)

#### *(c) Financial instruments measured at fair value (continued)*

*(i) Fair value hierarchy (continued)*

| | 31 December 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Measured at fair value on a recurring basis** | | | | |
| **Assets** | | | | |
| Positive fair value of derivatives | – | 49,297 | 11 | 49,308 |
| Loans and advances to customers | | | | |
| – Loans and advances to customers measured at fair value through other comprehensive income | – | 1,048,651 | – | 1,048,651 |
| Financial assets measured at fair value through profit or loss | | | | |
| *Financial assets held for trading purposes* | | | | |
| – Debt securities | 4,589 | 136,100 | – | 140,689 |
| – Equity instruments and funds | 281 | 726 | – | 1,007 |
| *Other financial assets measured at fair value through profit or loss* | | | | |
| – Credit investments | – | 32,457 | 26,339 | 58,796 |
| – Debt securities | 220 | 137,513 | 2,814 | 140,547 |
| – Funds and others | 20,878 | 69,440 | 136,740 | 227,058 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| – Debt securities | 198,706 | 1,809,665 | – | 2,008,371 |
| – Equity instruments designated as measured at fair value through other comprehensive income | 1,936 | – | 5,511 | 7,447 |
| Total | 226,610 | 3,283,849 | 171,415 | 3,681,874 |
| **Measured at fair value on a recurring basis** | | | | |
| **Liabilities** | | | | |
| Financial liabilities measured at fair value through profit or loss | – | 288,752 | 348 | 289,100 |
| Negative fair value of derivatives | – | 46,736 | 11 | 46,747 |
| Total | – | 335,488 | 359 | 335,847 |

A majority of the financial assets classified as level 2 are RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. A majority of the financial liabilities designated as measured at fair value through profit or loss classified as level 2 are the funds raised from structured deposits, the fair value of which are determined based on the income approach. The majority of derivatives are classified as level 2 and valued using the income approach. For the valuation of financial instruments classified as level 2, all significant inputs are observable market data.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management *(continued)*

### (5) Fair value of financial instruments *(continued)*

#### *(c) Financial instruments measured at fair value (continued)*

*(i) Fair value hierarchy (continued)*

The financial assets classified as level 3 are primarily unlisted equity instruments These financial assets are valued using the income approach and market approach, which incorporate the non-observable assumptions including discount rate and P/B ratio.

The Group upgraded certain financial instruments from Level 3 to Level 1 of the fair value hierarchy due to the fact that the valuation technique had changed or that certain previously unobservable significant inputs used in fair value measurements had now become observable.

*(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy*

The following tables show a reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

| | 2023 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Other financial assets measured at fair value through profit or loss | | | Financial assets measured at fair value through other comprehensive income | | | | | |
| | Positive fair value of derivatives | Credit investments | Debt securities | Funds and others | Debt securities | Equity instruments | Total assets | Financial liabilities measured at fair value through profit or loss | Negative fair value of derivatives | Total liabilities |
| As at 1 January 2023 | 11 | 26,339 | 2,814 | 136,740 | - | 5,511 | 171,415 | (348) | (11) | (359) |
| Total gains or losses: | | | | | | | | | | |
| In profit or loss | (3) | 1,287 | (1,067) | 1,789 | - | - | 2,006 | (72) | 3 | (69) |
| In other comprehensive income | - | - | - | - | (28) | 11 | (17) | - | - | - |
| Purchases | - | 5,740 | 600 | 23,522 | 82 | 1,941 | 31,885 | (734) | - | (734) |
| Sales, settlements and transfers out | - | (5,487) | (1,216) | (26,671) | - | (24) | (33,398) | 467 | - | 467 |
| As at 31 December 2023 | 8 | 27,879 | 1,131 | 135,380 | 54 | 7,439 | 171,891 | (687) | (8) | (695) |

| | 2022 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Other financial assets measured at fair value through profit or loss | | | Financial assets measured at fair value through other comprehensive income | | | | | |
| | Positive fair value of derivatives | Credit investments | Debt securities | Funds and others | Debt securities | Equity instruments | Total assets | Financial liabilities measured at fair value through profit or loss | Negative fair value of derivatives | Total liabilities |
| As at 1 January 2022 | 18 | 15,925 | 1,421 | 149,905 | 264 | 5,259 | 172,792 | (676) | (18) | (694) |
| Total gains or losses: | | | | | | | | | | |
| In profit or loss | (5) | 2,023 | 352 | (3,986) | - | - | (1,616) | (238) | 5 | (233) |
| In other comprehensive income | - | - | - | - | 12 | 34 | 46 | - | - | - |
| Purchases | - | 17,939 | 1,159 | 21,755 | - | 218 | 41,071 | (13) | - | (13) |
| Sales, settlements and transfers out | (2) | (9,548) | (118) | (30,934) | (276) | - | (40,878) | 579 | 2 | 581 |
| As at 31 December 2022 | 11 | 26,339 | 2,814 | 136,740 | - | 5,511 | 171,415 | (348) | (11) | (359) |

In level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year in the above table are presented in net trading gain and net loss arising from investment securities.

Gains or losses on level 3 financial assets and liabilities included in the statement of comprehensive income comprise:

| | **2023** | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **Realised** | **Unrealised** | **Total** | Realised | Unrealised | Total |
| Net gains/(losses) | **2,115** | **(178)** | **1,937** | 1,797 | (3,646) | (1,849) |

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (5) Fair value of financial instruments (continued)

#### *(d) Financial instruments not measured at fair value*

##### *(i) Financial assets*

The Group's financial assets not measured at fair value mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers and financial assets measured at amortised cost.

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate to the fair values.

Loans and advances to customers

Majority of the loans and advances to customers measured at amortised cost are repriced at least annually to the market rate. Accordingly, their carrying values approximate to the fair values.

Financial assets measured at amortised cost

The following table shows the carrying values and the fair values of financial assets measured at amortised cost as at 31 December 2023 and 2022 which are not presented in the statement of financial position at their fair values.

| | 31 December 2023 | | | | | 31 December 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying value | Fair value | Level 1 | Level 2 | Level 3 | Carrying value | Fair value | Level 1 | Level 2 | Level 3 |
| Financial assets measured at amortised cost | 6,801,242 | 7,055,913 | 15,326 | 6,890,957 | 149,630 | 5,958,397 | 6,120,446 | 21,657 | 5,929,361 | 169,428 |
| Total | 6,801,242 | 7,055,913 | 15,326 | 6,890,957 | 149,630 | 5,958,397 | 6,120,446 | 21,657 | 5,929,361 | 169,428 |

##### *(ii) Financial liabilities*

The Group's financial liabilities not measured at fair value mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. As at 31 December 2023, the fair value of subordinated bonds and the eligible Tier 2 capital bonds was RMB517,574 million (As at 31 December 2022: RMB465,537 million) and the corresponding carrying value was RMB509,282 million (As at 31 December 2022: RMB466,828 million), and the carrying values of other financial liabilities approximated to their fair values as at the end of the reporting period. The Group uses observable inputs to measure the fair values of subordinated bonds and eligible Tier 2 capital bonds issued, and classified them as the level 2 of fair value hierarchy.

### (6) Offsetting financial assets and financial liabilities

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. These financial assets and financial liabilities of the Group are not offset.

As at 31 December 2023 the amounts of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

## 62 Risk management (continued)

### (7) Insurance risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty in the resulting claim amount. By the very 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 the uncertainty of insurance risk through its underwriting strategy and policies to diversify underwriting risks, as well as adequate reinsurance arrangements, and enhanced underwriting control and claim control.

The Group makes related assumptions for insurance risks and recognizes insurance contract liabilities. For long-term life insurance contracts and short-term life insurance contracts, the insurance risk may be aggravated by the difference between insurance risk assumptions and actual insurance risks, including assumptions on death events, relevant expenses, morbidity assumptions, the loss ratios assumptions and surrender rates assumptions, etc. For property and casualty insurance contracts, claims are often subject to factors such as natural disasters, catastrophes, and terrorist attacks. In addition, the insurance risk can also be affected by the policyholder's termination of the contract, reduction of premiums, and refusal to pay premiums, i.e., the insurance risk is affected by the actions and decisions of the policyholder.

### (8) Capital management

The Bank has implemented comprehensive capital management, covering capital management policy design, capital projecting and planning, capital calculation, internal capital assessment, capital allocation, capital incentive, restriction and conduction, capital raising, monitoring and reporting, and applications of advanced approach of capital calculation in the management of the ordinary course of the business. General principles of capital management of the Bank are to continuously retain an adequate capital level, retain a certain margin of safety and a certain level of buffer based on that all regulatory requirements have been complied, and ensure that the capital can cover all kinds of risks adequately; exercise reasonable and effective capital allocation and strengthen capital restraint and incentive mechanism to support the strategic planning effectively and to restrict and conduct the business so as to increase the capital efficiency and return level continuously; tamp capital strength, and retain relatively high capital quality by achieving capital supplement with priority to the internal accumulation and utilising various capital instruments reasonably to optimise capital structure; continuously develop the advanced approach of capital management on the applications in the business management such as credit policies, credit approval and pricing.

Capital adequacy ratio is a reflection of the Group's ability to maintain a stable operation and resist adverse risks. In accordance with the CBRC's *Capital Rules for Commercial Banks (Provisional)* and relevant regulations, commercial banks should meet the minimum capital requirements from 1 January 2013. The Common Equity Tier 1 ratio should be at or above a minimum of 5%, Tier 1 ratio at or above a minimum of 6% and the total capital ratio at or above a minimum of 8%. Besides, capital conservation buffer requirements, additional buffer requirements of Global and Domestic Systemically Important Banks should also be met. If a countercyclical buffer is required or the Pillar 2 capital requirement is raised by the regulator to a specific commercial bank, the minimum requirements should be met within the transitional period.

The Group timely monitors, analyses and reports capital adequacy ratios, assesses if the capital management objectives have been met and exercises effective management of capital adequacy ratio. The Group adopts various measures such as controlling asset growth, adjusting the structure of risk assets, increasing internal capital supply and raising capital through external channels, to ensure that the Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio of the Group are in full compliance with regulatory requirements and meet internal management requirements. This helps to insulate against potential risks as well as support healthy business developments. The Group now fully complies with all regulatory requirements in this respect.

The Group's capital planning has taken the regulatory requirements, the Group's development strategy and risk appetite into consideration, and based on those factors the Group projects the capital usage and need.

The capital raising management of the Group involves reasonable utilisation of various capital instruments to ensure that both external regulatory and internal capital management objectives are met, taking into account capital planning and operating environment. This helps to optimise the Group's capital structure.

Based on the approval for the Group to implement the advanced capital management method in 2014, the relevant regulatory authority approved the Group to expand the implementation scope of the advanced capital management method in April 2020. The Group calculated the capital requirements for financial institution credit exposures and corporate credit risk exposures that meet regulatory requirements with the foundation internal ratings-based approach, the capital requirements for retail credit risk exposures with the internal ratings-based approach, the capital requirements for market risk with the internal models approach, and the capital requirements for operational risk with the standardised approach.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (8) Capital management (continued)

The Group's capital adequacy ratio calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* issued by the CBRC as at the end of the reporting period are as follows:

| | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| **Common Equity Tier 1 ratio** | (a)(b)(c) | **13.15%** | 13.69% |
| **Tier 1 ratio** | (a)(b)(c) | **14.04%** | 14.40% |
| **Total capital ratio** | (a)(b)(c) | **17.95%** | 18.42% |
| **Common Equity Tier 1 capital** | | | |
| – Qualifying common share capital | | **250,011** | 250,011 |
| – Capital reserve | | **134,931** | 134,965 |
| – Surplus reserve | | **369,906** | 337,527 |
| – General reserve | | **495,858** | 444,428 |
| – Retained earnings | | **1,674,279** | 1,528,356 |
| – Non-controlling interest recognised in Common Equity Tier 1 capital | | **3,604** | 3,867 |
| – Others | (d) | **30,714** | 21,745 |
| **Deductions for Common Equity Tier 1 capital** | | | |
| – Goodwill | (e) | **2,127** | 2,062 |
| – Other intangible assets (excluding land use rights) | (e) | **5,509** | 5,578 |
| – Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet | | **311** | (170) |
| – Investments in common equity of financial institutions being controlled but outside the scope of consolidation | | **6,970** | 6,970 |
| **Additional Tier 1 capital** | | | |
| – Other directly issued qualifying additional Tier 1 instruments including related premium | | **199,968** | 139,968 |
| – Non-controlling interest recognised in Additional Tier 1 capital | | **120** | 106 |
| **Tier 2 capital** | | | |
| – Directly issued qualifying Tier 2 instruments including related premium | | **491,455** | 453,197 |
| – Provisions in Tier 2 | (f) | **384,565** | 340,537 |
| – Non-controlling interest recognised in Tier 2 capital | | **195** | 171 |
| **Regulatory deductions of Tier 2 capital** | | | |
| – The Bank's Tier 2 capital held directly or indirectly by commercial banks | | **28** | – |
| **Common Equity Tier 1 capital after regulatory adjustments** | (g) | **2,944,386** | 2,706,459 |
| **Tier 1 capital after regulatory adjustments** | (g) | **3,144,474** | 2,846,533 |
| **Total capital after regulatory adjustments** | (g) | **4,020,661** | 3,640,438 |
| **Risk-weighted assets** | (h) | **22,395,908** | 19,767,834 |

Notes:

(a) From the first half year of 2014, the Group has adopted the advanced approach to calculate capital adequacy ratio and implemented the parallel period rules.

(b) The Common Equity Tier 1 ratio is calculated by dividing the Common Equity Tier 1 Capital after deduction by risk-weighted assets. Tier 1 ratio is calculated by dividing the Tier 1 Capital after deduction by risk-weighted assets. Total capital ratio is calculated by dividing the total capital after deduction by risk-weighted assets.

(c) The scope for calculating capital adequacy ratio of the Group includes all the domestic and overseas branches and subsidiaries in the financial sector (excluding insurance companies).

(d) Others include other comprehensive income (including foreign exchange reserve).

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 62 Risk management (continued)

### (8) Capital management (continued)

Notes: (continued)

(e) Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.

(f) From the first half year of 2014, eligible excessive loan provisions were measured based on the advanced approach and implemented parallel period rules.

(g) Common Equity Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the total capital.

(h) According to the rules of advanced approach, risk-weighted assets include credit risk-weighted assets, market risk-weighted assets, operational risk-weighted assets and excess risk-weighted assets due to the application of capital floor.

## 63 Statement of financial position and statement of changes in equity of the Bank

| | **31 December 2023** | 31 December 2022 |
|---|---|---|
| **Assets:** | | |
| Cash and deposits with central banks | **3,050,045** | 3,149,130 |
| Deposits with banks and non-bank financial institutions | **108,043** | 153,122 |
| Precious metals | **59,429** | 39,119 |
| Placements with banks and non-bank financial institutions | **737,669** | 589,107 |
| Positive fair value of derivatives | **42,455** | 47,756 |
| Financial assets held under resale agreements | **961,642** | 1,015,534 |
| Loans and advances to customers | **22,687,855** | 20,071,834 |
| Financial investments | | |
| Financial assets measured at fair value through profit or loss | **282,636** | 259,329 |
| Financial assets measured at amortised cost | **6,737,686** | 5,894,415 |
| Financial assets measured at fair value through other comprehensive income | **2,050,691** | 1,863,301 |
| Long-term equity investments | **102,820** | 91,808 |
| Investments in consolidated structured entities | **15,186** | 15,186 |
| Fixed assets | **112,768** | 116,815 |
| Construction in progress | **7,025** | 9,768 |
| Land use rights | **12,044** | 12,355 |
| Intangible assets | **5,101** | 5,140 |
| Deferred tax assets | **118,296** | 109,773 |
| Other assets | **246,589** | 246,226 |
| **Total assets** | **37,337,980** | 33,689,718 |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 63 Statement of financial position and statement of changes in equity of the Bank (continued)

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| **Liabilities:** | | |
| Borrowings from central banks | 1,155,634 | 774,779 |
| Deposits from banks and non-bank financial institutions | 2,763,227 | 2,567,292 |
| Placements from banks and non-bank financial institutions | 311,751 | 272,599 |
| Financial liabilities measured at fair value through profit or loss | 245,603 | 288,701 |
| Negative fair value of derivatives | 40,585 | 45,328 |
| Financial assets sold under repurchase agreements | 211,061 | 215,180 |
| Deposits from customers | 27,312,712 | 24,710,345 |
| Accrued staff costs | 46,524 | 43,410 |
| Taxes payable | 71,920 | 82,951 |
| Provisions | 42,409 | 48,189 |
| Debt securities issued | 1,829,333 | 1,572,812 |
| Deferred tax liabilities | 55 | 53 |
| Other liabilities | 223,956 | 271,645 |
| **Total liabilities** | 34,254,770 | 30,893,284 |

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| **Equity:** | | |
| Share capital | 250,011 | 250,011 |
| Other equity instruments | | |
| Preference shares | 59,977 | 59,977 |
| Perpetual bonds | 139,991 | 79,991 |
| Capital reserve | 134,813 | 134,826 |
| Other comprehensive income | 31,314 | 25,948 |
| Surplus reserve | 369,906 | 337,527 |
| General reserve | 484,917 | 431,967 |
| Retained earnings | 1,612,281 | 1,476,187 |
| **Total equity** | 3,083,210 | 2,796,434 |
| **Total liabilities and equity** | 37,337,980 | 33,689,718 |

Approved and authorised for issue by the Board of Directors on 28 March 2024.

| | | |
|---|---|---|
| **Zhang Jinliang** | **Kenneth Patrick Chung** | **William Coen** |
| *Chairman and executive director* | *Independent non-executive director* | *Independent non-executive director* |

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 63 Statement of financial position and statement of changes in equity of the Bank (continued)

| | Share capital | Other equity instruments: Preference shares | Other equity instruments: Perpetual bonds | Capital reserve | Other comprehensive income | Surplus reserve | General reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **As at 1 January 2023** | **250,011** | **59,977** | **79,991** | **134,826** | **25,948** | **337,527** | **431,967** | **1,476,187** | **2,796,434** |
| **Movements during the year** | **–** | **–** | **60,000** | **(13)** | **5,366** | **32,379** | **52,950** | **136,094** | **286,776** |
| **(1) Total comprehensive income for the year** | **–** | **–** | **–** | **–** | **5,366** | **–** | **–** | **323,787** | **329,153** |
| **(2) Changes in share capital** | | | | | | | | | |
| i Capital injection/(deduction) by other equity instruments holder | **–** | **–** | **60,000** | **(13)** | **–** | **–** | **–** | **–** | **59,987** |
| **(3) Profit distribution** | | | | | | | | | |
| i Appropriation to surplus reserve | **–** | **–** | **–** | **–** | **–** | **32,379** | **–** | **(32,379)** | **–** |
| ii Appropriation to general reserve | **–** | **–** | **–** | **–** | **–** | **–** | **52,950** | **(52,950)** | **–** |
| iii Dividends to ordinary shareholders | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(97,254)** | **(97,254)** |
| iv Dividends to other equity instrument holders | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(5,110)** | **(5,110)** |
| **As at 31 December 2023** | **250,011** | **59,977** | **139,991** | **134,813** | **31,314** | **369,906** | **484,917** | **1,612,281** | **3,083,210** |

| | Share capital | Other equity instruments: Preference shares | Other equity instruments: Perpetual bonds | Capital reserve | Other comprehensive income | Surplus reserve | General reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **As at 1 January 2022** | 250,011 | 59,977 | 39,991 | 134,835 | 30,901 | 305,571 | 373,381 | 1,342,712 | 2,537,379 |
| **Movements during the year** | – | – | 40,000 | (9) | (4,953) | 31,956 | 58,586 | 133,475 | 259,055 |
| **(1) Total comprehensive income for the year** | – | – | – | – | (4,953) | – | – | 319,559 | 314,606 |
| **(2) Changes in share capital** | | | | | | | | | |
| i Capital injection/(deduction) by other equity instruments holder | – | – | 40,000 | (9) | – | – | – | – | 39,991 |
| **(3) Profit distribution** | | | | | | | | | |
| i Appropriation to surplus reserve | – | – | – | – | – | 31,956 | – | (31,956) | – |
| ii Appropriation to general reserve | – | – | – | – | – | – | 58,586 | (58,586) | – |
| iii Dividends to ordinary shareholders | – | – | – | – | – | – | – | (91,004) | (91,004) |
| iv Dividends to other equity instrument holders | – | – | – | – | – | – | – | (4,538) | (4,538) |
| **As at 31 December 2022** | 250,011 | 59,977 | 79,991 | 134,826 | 25,948 | 337,527 | 431,967 | 1,476,187 | 2,796,434 |

## 64 Events after the reporting period

On 31 January 2024, the Group and BOC settled the transaction related to equity transfer of CCB Brasil. The Group received a consideration of BRL564 million for the transfer of part of its shares in CCB Brasil to BOC, and CCB Brasil received a subscription consideration of BRL540 million for the issuance of new shares to BOC. Upon completion of the transaction, the Group holds 31.66% equity interest in CCB Brasil, and the right over operation and management of CCB Brasil has been transferred to BOC.

On 5 February 2024, the Group completed the issuance of RMB50.00 billion Tier 2 Capital Bonds, which consisted of two types. Type 1 Tier 2 Capital Bonds, with an issuance size of RMB20.00 billion, have a 10-year term with conditional redemption right by the Issuer at the end of the fifth year and a fixed coupon rate of 2.75%, while Type 2 Tier 2 Capital Bonds, with an issuance size of RMB30.00 billion, have a 15-year term with conditional redemption right by the Issuer at the end of the tenth year and a fixed coupon rate of 2.82%. On 1 March 2024, the Group completed the issuance of RMB30.00 billion Financial Bonds, which consisted of two types. Type 1 Financial Bonds, with an issuance size of RMB20.00 billion, have a 3-year term with a fixed coupon rate of 2.35%, while Type 2 Financial Bonds, with an issuance size of RMB10.00 billion, have a 5-year term with a fixed coupon rate of 2.50%.

On 27 February 2024, the Group realised the option to redeem all the bonds of US$1.85 billion issued in overseas market on 27 February 2019 with an initial coupon rate of 4.25%.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

## 65 Comparative figures

Except for the retroactive adjustment made in accordance with IFRS 17, in order to comply with the presentation of this financial statement, the Group has adjusted the presentation of comparative figures related to interbank gold leasing business.

## 66 Ultimate parent

As stated in Note 1, the immediate and ultimate parents of the Group are Huijin and CIC, respectively.

## 67 Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are relevant to the Group. These amendments, new standards and interpretations are not yet effective for the year ended 31 December 2023 and have not been adopted in the financial statements.

| | **Standards** | **Effective for annual periods beginning on or after** |
|---|---|---|
| (1) | Amendments to IFRS 16 *Lease Liability Measurement in a Sale and Leaseback Transaction* | 1 January 2024 |
| (2) | Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* | 1 January 2024 |
| (3) | Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | Effective date has been deferred indefinitely |
| (4) | Amendments to IAS 21 *Lack of Exchangeability* | 1 January 2025 |

The Group anticipates that the adoption of the new standards and amendments will not have a significant impact on the Group's consolidated financial statements.

### (1) Amendments to IFRS 16 *Lease Liability Measurement in a Sale and Leaseback Transaction*

The IASB has amended IFRS 16 to specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognise any amount of the gain or loss that relates to the right of use retained. The amendment does not change the accounting for leases unrelated to sale and leaseback transactions.

### (2) Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

### (3) Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The narrow-scope amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business" (as defined in IFRS 3 "Business Combinations").

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively.

### (4) Amendments to IAS 21 *Lack of Exchangeability*

Amendments to IAS 21 *Lack of Exchangeability* specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application.

# UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in millions of RMB unless otherwise stated)

The following information of the Group does not form part of the audited financial statements, and is included herein for information purposes only.

## 1 Difference between the financial statements prepared under IFRS and those prepared in accordance with PRC GAAP

China Construction Bank Corporation (the "Bank") prepares consolidated financial statements, which include the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards and its interpretations ("IFRS") promulgated by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed on the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the year ended 31 December 2023 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP and regulations").

There is no difference in the net profit for the year ended 31 December 2023 or total equity as at 31 December 2023 between the Group's consolidated financial statements prepared under IFRS and those prepared under PRC GAAP and regulations.

## 2 Liquidity coverage ratio and net stable funding ratio

The liquidity coverage ratio equals to the qualified and high-quality liquid assets divided by net cash outflows in the future 30 days. Net stable funding ratio equals to the available stable funding divided by required stable funding. According to the regulatory requirements, definitions and accounting standards applicable in the current period, the average daily liquidity coverage ratio of the Group in the fourth quarter of 2023 was 133.17% and the net stable funding ratio was 127.32% as at the end of December 2023.

The following table sets the Group's liquidity coverage ratio for the fourth quarter of 2023.

| No. | (In millions of RMB, except percentages) | Total Unweighted Value | Total Weighted Value |
|---|---|---|---|
| **High-Quality Liquid Assets** | | | |
| 1 | Total High-Quality Liquid Assets (HQLA) | | 5,870,873 |
| **Cash Outflows** | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | 14,188,130 | 1,273,532 |
| 3 | Stable deposits | 2,904,639 | 145,183 |
| 4 | Less stable deposits | 11,283,491 | 1,128,349 |
| 5 | Unsecured wholesale funding, of which: | 12,742,698 | 4,555,143 |
| 6 | Operational deposits (excluding those generated from correspondent banking activates) | 7,366,807 | 1,828,719 |
| 7 | Non-operational deposits (all counterparties) | 5,279,413 | 2,629,946 |
| 8 | Unsecured debt | 96,478 | 96,478 |
| 9 | Secured funding | | 749 |
| 10 | Additional requirements, of which: | 2,043,131 | 239,307 |
| 11 | Outflows related to derivative exposures and other collateral requirements | 44,048 | 44,048 |
| 12 | Outflows related to loss of funding on secured debt products | 5,223 | 5,223 |
| 13 | Credit and liquidity facilities | 1,993,860 | 190,036 |
| 14 | Other contractual funding obligations | 168 | – |
| 15 | Other contingent funding obligations | 5,077,630 | 642,455 |
| **16** | **Total Cash Outflows** | | 6,711,186 |
| **Cash Inflows** | | | |
| 17 | Secured lending (including reverse repos and securities borrowing) | 908,423 | 906,493 |
| 18 | Inflow from fully performing exposures | 2,248,957 | 1,340,960 |
| 19 | Other cash inflows | 53,243 | 48,397 |
| **20** | **Total Cash Inflows** | 3,210,623 | 2,295,850 |
| | | | **Total Adjusted Value** |
| **21** | **Total HQLA** | | 5,870,873 |
| **22** | **Total Net Cash Outflows** | | 4,415,336 |
| **23** | **Liquidity Coverage Ratio (%)[1]** | | 133.17 |

1. The above quarterly daily means represent simple arithmetic means of the values for 92 calendar days in the latest quarter, calculated in accordance with the current applicable regulatory requirements, definitions and accounting standards.

(Expressed in millions of RMB unless otherwise stated)

## 2 Liquidity coverage ratio and net stable funding ratio (continued)

The following table sets the quantitative information on the net stable funding ratio at the end of the last two quarters.

| | | The Fourth Quarter of 2023 | | | | | The Third Quarter of 2023 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Unweighted value by residual maturity | | | | | Unweighted value by residual maturity | | | | |
| No. | (In RMB millions, except percentages) | No maturity | < 6 months | 6 months to < 1 year | ≥ 1 year | Weighted value | No maturity | < 6 months | 6 months to < 1 year | ≥ 1 year | Weighted value |
| **ASF Item** | | | | | | | | | | | |
| 1 | Capital: | - | - | - | 3,652,245 | 3,652,245 | - | - | - | 3,517,536 | 3,517,536 |
| 2 | Regulatory capital | - | - | - | 3,652,245 | 3,652,245 | - | - | - | 3,517,536 | 3,517,536 |
| 3 | Other capital instruments | - | - | - | - | - | - | - | - | - | - |
| 4 | Retail deposits and deposits from small business customers: | 6,866,150 | 8,241,857 | 107,827 | 1,260,158 | 15,110,270 | 6,709,931 | 8,152,746 | 89,702 | 1,296,319 | 14,906,806 |
| 5 | Stable deposits | 3,092,166 | 16,659 | 8,411 | 7,013 | 2,968,388 | 3,042,591 | 15,905 | 8,439 | 6,941 | 2,920,529 |
| 6 | Less stable deposits | 3,773,984 | 8,225,198 | 99,416 | 1,253,145 | 12,141,882 | 3,667,340 | 8,136,841 | 81,263 | 1,289,378 | 11,986,277 |
| 7 | Wholesale funding: | 2,011,744 | 12,720,043 | 1,387,100 | 1,115,247 | 8,021,339 | 1,637,845 | 13,099,398 | 1,158,345 | 1,088,370 | 7,962,343 |
| 8 | Operational deposits | 1,822,253 | 5,546,632 | 81,041 | 402 | 3,725,365 | 1,458,321 | 5,846,578 | 82,438 | 384 | 3,694,052 |
| 9 | Other wholesale funding | 189,491 | 7,173,411 | 1,306,059 | 1,114,845 | 4,295,974 | 179,524 | 7,252,820 | 1,075,907 | 1,087,986 | 4,268,291 |
| 10 | Liabilities with matching interdependent assets | - | - | - | - | - | - | - | - | - | - |
| 11 | Other liabilities: | - | 546,786 | 129,327 | 285,225 | 303,780 | - | 694,627 | 120,470 | 280,000 | 283,463 |
| 12 | NSFR derivative liabilities | | | | 46,108 | | | | | 56,772 | |
| 13 | All other liabilities and equity not included in the above categories | - | 546,786 | 129,327 | 239,117 | 303,780 | - | 694,627 | 120,470 | 223,228 | 283,463 |
| **14** | **Total ASF** | | | | | 27,087,634 | | | | | 26,670,148 |
| **RSF Item** | | | | | | | | | | | |
| 15 | Total NSFR high-quality liquid assets (HQLA) | | | | | 2,652,741 | | | | | 2,287,195 |
| 16 | Deposits held at other financial institutions for operational purposes | 53,854 | 36,205 | 11,408 | 6,019 | 57,031 | 40,397 | 39,928 | 10,559 | 5,964 | 51,708 |
| 17 | Performing loans and securities: | 1,015,458 | 6,470,161 | 2,972,690 | 15,547,047 | 17,645,212 | 970,385 | 6,071,612 | 3,040,261 | 15,477,044 | 17,521,739 |
| 18 | Performing loans to financial institutions secured by Level 1 HQLA | - | 891,906 | 500 | - | 134,036 | - | 765,638 | - | - | 114,846 |
| 19 | Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions | - | 1,473,475 | 205,782 | 126,502 | 466,483 | - | 1,260,182 | 191,425 | 141,533 | 445,252 |
| 20 | Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which: | 968,926 | 3,766,785 | 2,514,273 | 9,061,259 | 11,319,987 | 948,185 | 3,692,349 | 2,573,904 | 8,950,235 | 11,207,771 |
| 21 | With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk | - | 46,812 | 7,858 | 47,759 | 58,378 | - | 50,555 | 13,721 | 45,800 | 61,908 |
| 22 | Performing residential mortgages, of which: | - | 190,923 | 198,260 | 6,031,726 | 5,321,558 | - | 192,154 | 210,667 | 6,081,401 | 5,370,601 |
| 23 | With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk | - | - | - | - | - | - | - | - | - | - |
| 24 | Securities that are not in default and do not qualify as HQLA, including exchange-traded equities | 46,532 | 147,072 | 53,875 | 327,560 | 403,148 | 22,200 | 161,289 | 64,265 | 303,875 | 383,269 |
| 25 | Assets with matching Interdependent liabilities | - | - | - | - | - | - | - | - | - | - |
| 26 | Other assets: | 36,276 | 240,056 | 133,380 | 321,625 | 737,403 | 28,153 | 359,695 | 162,843 | 306,831 | 830,289 |
| 27 | Physical traded commodities, including gold | 36,276 | | | | 30,835 | 28,153 | | | | 23,930 |
| 28 | Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs | | | | 653 | 555 | | | | 255 | 217 |
| 29 | NSFR derivative assets | | | | 44,016 | - | | | | 69,633 | 12,862 |
| 30 | NSFR derivative liabilities before deduction of variation margin posted[1] | | | | 9,431 | 9,431 | | | | 11,618 | 11,618 |
| 31 | All other assets not included in the above categories | - | 240,056 | 133,380 | 276,956 | 650,050 | - | 359,695 | 162,843 | 236,943 | 759,462 |
| 32 | Off-balance sheet items | | | | 6,466,117 | 183,557 | | | | 6,373,311 | 182,375 |
| **33** | **Total RSF** | | | | | 21,275,944 | | | | | 20,873,306 |
| **34** | **Net Stable Funding Ratio (%)** | | | | | 127.32 | | | | | 127.77 |

1. The amount filled out in this account refers to derivative liabilities, i.e., the amount of NSFR derivative liabilities before deduction of variable reserves. This amount makes no distinction between durations, nor does it count towards the total in "26 Other Assets".

According to the regulatory requirements, definitions and accounting standards applicable in the fourth quarter of 2023, the Group's net stable funding ratio was 127.32%, of which the available stable funding was RMB27,087,634 million against the required stable funding of RMB21,275,944 million.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in millions of RMB unless otherwise stated)

## 3 Leverage ratio

The Group measured leverage ratio in accordance with the regulatory requirements from the first quarter of 2015. The leverage ratio refers to the ratio of the net amount of Tier 1 capital to the adjusted balance of on- and off-balance sheet assets. The leverage ratio of commercial banks should be no less than 4%. As at 31 December 2023 the Group's leverage ratio was 7.83%, meeting the regulatory requirements.

The following table sets forth the information related to the Group's leverage ratio.

| (In millions of RMB, except percentages) | **As at 31 December 2023** | As at 30 September 2023 | As at 30 June 2023 | As at 31 March 2023 |
|---|---|---|---|---|
| **Leverage ratio** | **7.83%** | 7.73% | 7.30% | 7.57% |
| Tier 1 capital after regulatory adjustments | **3,144,474** | 3,070,791 | 2,928,140 | 2,932,410 |
| On and off-balance sheet assets after adjustments | **40,137,194** | 39,712,910 | 40,114,735 | 38,738,624 |

1. The leverage ratios have been calculated in accordance with relevant regulatory requirements. The balance of Tier 1 capital after regulatory adjustments has been calculated with the same data used by the Group to calculate total capital ratio.

2. On and off-balance sheet assets after adjustments = On-balance sheet assets after adjustments + Off-balance sheet assets after adjustments – Regulatory adjustments to Tier 1 capital.

The following table sets forth the detailed items that constitute the on and off-balance sheet assets after adjustments used in the calculation of the Group's leverage ratio, and the reconciliation with the accounting items.

| (In millions of RMB) | **As at 31 December 2023** | As at 31 December 2022 |
|---|---|---|
| Total on-balance sheet assets[1] | **38,324,826** | 34,600,711 |
| Consolidated adjustment[2] | **(301,121)** | (276,175) |
| Derivatives adjustment | **74,252** | 66,329 |
| Securities financing transactions adjustment | **2,589** | 1,490 |
| Off-balance sheet items adjustment[3] | **2,051,565** | 1,892,384 |
| Other adjustments[4] | **(14,917)** | (14,439) |
| **On and off-balance sheet assets after adjustments** | **40,137,194** | 36,270,300 |

1. Total on-balance sheet assets refer to the one calculated in accordance with financial and accounting standards.

2. Consolidated adjustment refers to the difference between regulatory consolidated total assets and accounting consolidated total assets.

3. Off-balance sheet items adjustment refers to the balance of off-balance sheet items after being multiplied by credit conversion factors in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)*.

4. Other adjustments mainly comprise regulatory adjustments to Tier 1 capital.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in millions of RMB unless otherwise stated)

## 3 Leverage ratio (continued)

The following table sets forth the information related to the Group's leverage ratio, Tier 1 capital after regulatory adjustments, and on and off-balance sheet assets after adjustments and their relevant detailed items.

| (In millions of RMB, except percentages) | **As at 31 December 2023** | As at 31 December 2022 |
|---|---|---|
| On-balance sheet assets (excluding derivatives and securities financing transactions)[1] | **37,015,514** | 33,252,767 |
| Less: Regulatory adjustments to Tier 1 capital | **(14,917)** | (14,439) |
| **On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)** | **37,000,597** | 33,238,328 |
| Replacement costs of various derivatives (excluding eligible margin) | **50,854** | 65,007 |
| Potential risk exposures of various derivatives | **67,236** | 50,379 |
| Nominal principals arising from sales of credit derivatives | **–** | 250 |
| **Derivative assets** | **118,090** | 115,636 |
| Accounting assets arising from securities financing transactions | **964,353** | 1,022,462 |
| Counterparty credit risk exposure arising from securities financing transactions | **2,589** | 1,490 |
| **Securities financing transactions assets** | **966,942** | 1,023,952 |
| Off-balance sheet assets | **6,175,145** | 5,574,037 |
| Less: Decrease in off-balance sheet assets due to credit conversion | **(4,123,580)** | (3,681,653) |
| **Off-balance sheet assets after adjustments** | **2,051,565** | 1,892,384 |
| Tier 1 capital after regulatory adjustments | **3,144,474** | 2,846,533 |
| On and off-balance sheet assets after adjustments | **40,137,194** | 36,270,300 |
| **Leverage Ratio[2]** | **7.83%** | 7.85% |

1. These refer to on-balance sheet assets excluding derivatives and securities financing transactions on a regulatory consolidated basis.
2. Leverage ratio is calculated through dividing Tier 1 capital after regulatory adjustments by on and off-balance sheet assets after adjustments.

## 4 Currency concentrations

| | **31 December 2023** | | | |
|---|---|---|---|---|
| | **USD (RMB equivalent)** | **HKD (RMB equivalent)** | **Others (RMB equivalent)** | **Total** |
| Spot assets | **1,056,484** | **332,056** | **443,799** | **1,832,339** |
| Spot liabilities | **(1,089,924)** | **(441,868)** | **(282,838)** | **(1,814,630)** |
| Forward purchases | **1,873,971** | **210,735** | **105,261** | **2,189,967** |
| Forward sales | **(1,870,891)** | **(65,420)** | **(237,857)** | **(2,174,168)** |
| Net option position | **(12,457)** | **(1)** | **(32)** | **(12,490)** |
| Net (short)/long position | **(42,817)** | **35,502** | **28,333** | **21,018** |
| Net structural position | **40,763** | **2,564** | **(20)** | **43,307** |

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in millions of RMB unless otherwise stated)

## 4 Currency concentrations (continued)

| | 31 December 2022 | | | |
|---|---|---|---|---|
| | USD (RMB equivalent) | HKD (RMB equivalent) | Others (RMB equivalent) | Total |
| Spot assets | 1,030,665 | 332,430 | 374,317 | 1,737,412 |
| Spot liabilities | (1,000,925) | (349,177) | (227,026) | (1,577,128) |
| Forward purchases | 1,225,402 | 98,771 | 143,842 | 1,468,015 |
| Forward sales | (1,267,774) | (46,432) | (269,320) | (1,583,526) |
| Net option position | 536 | (144) | 486 | 878 |
| Net (short)/long position | (12,096) | 35,448 | 22,299 | 45,651 |
| Net structural position | 33,559 | 3,511 | (530) | 36,540 |

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in the foreign exchange. Structural assets and liabilities include:

– investments in property and equipment, net of accumulated depreciation;

– capital and statutory reserves of overseas branches; and

– investments in overseas subsidiaries and related companies.

## 5 International claims

The Group is principally engaged in business operations within the Chinese mainland. The international claims of the Group are the sum of cross-border claims in all currencies and local claims in foreign currencies.

International claims include loans and advances to customers, deposits with central banks, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

International claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the Group reduces its exposure to a particular country/region by an effective transfer of credit risk to a different country/region with the use of credit risk mitigation which include guarantees, collateral and credit derivatives.

| | **31 December 2023** | | | | |
|---|---|---|---|---|---|
| | **Banks** | **Public sector entities** | **Non-bank private institutions** | **Others** | **Total** |
| Asia Pacific | **229,433** | **97,347** | **541,427** | **65,220** | **933,427** |
| – of which attributed to Hong Kong | **17,595** | **31,662** | **274,185** | **52,352** | **375,794** |
| Europe | **43,335** | **47,236** | **72,948** | **5,330** | **168,849** |
| North and South America | **22,996** | **211,384** | **50,097** | **35,518** | **319,995** |
| Total | **295,764** | **355,967** | **664,472** | **106,068** | **1,422,271** |

| | 31 December 2022 | | | | |
|---|---|---|---|---|---|
| | Banks | Public sector entities | Non-bank private institutions | Others | Total |
| Asia Pacific | 269,333 | 105,694 | 668,001 | 17,963 | 1,060,991 |
| – of which attributed to Hong Kong | 10,476 | 33,646 | 318,225 | 6,347 | 368,694 |
| Europe | 34,527 | 49,295 | 61,175 | – | 144,997 |
| North and South America | 33,788 | 172,470 | 80,763 | – | 287,021 |
| Total | 337,648 | 327,459 | 809,939 | 17,963 | 1,493,009 |

(Expressed in millions of RMB unless otherwise stated)

## 6 Overdue loans and advances to customers by geographical sector

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Pearl River Delta | **50,966** | 29,281 |
| Central | **31,103** | 24,301 |
| Western | **25,278** | 18,718 |
| Bohai Rim | **24,005** | 17,605 |
| Yangtze River Delta | **19,627** | 15,604 |
| North-eastern | **12,674** | 10,360 |
| Head office | **11,458** | 8,766 |
| Overseas | **7,120** | 6,180 |
| Total | **182,231** | 130,815 |

According to regulatory requirements, the above analysis represents the gross amount of loans and advances to customers overdue for more than three months.

Loans and advances to customers with a specific repayment date are classified as overdue when the principal or interest is overdue.

Loans and advances to customers repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances to customers repayable on demand are outside the approved limit that was advised to the borrower, they are also considered to be overdue.

## 7 Exposures to non-banks in the Chinese mainland

The Bank is a commercial bank incorporated in the Chinese mainland with its banking business primarily conducted in the Chinese mainland. As at 31 December 2023 substantial amounts of the Bank's exposures arose from businesses with the Chinese mainland entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

# APPENDIX II: INDICATORS FOR ASSESSING SYSTEMIC IMPORTANCE OF COMMERCIAL BANKS

## 1 INDICATORS FOR ASSESSING GLOBAL SYSTEMIC IMPORTANCE OF COMMERCIAL BANKS

The Group disclosed the indicators in accordance with the *Guidelines for the Disclosure of Indicators for Assessing Global Systemic Importance of Commercial Banks* issued by the former CBRC. From the end of 2021, the Group calculated the indicators for assessing global systemic importance of the Bank in accordance with the *Global systemically important banks: revised assessment methodology and the higher loss absorbency requirement* (July 2018) issued by the Basel Committee. The following table sets forth the Group's indicators as the dates indicated.

| (In millions of RMB)<br>NO. | <br>Indicators | As at 31 December 2023<br>Amount[3] | As at 31 December 2022<br>Amount[3] |
|---|---|---|---|
| 1 | Total on and off-balance sheet assets after adjustments[1] | **40,412,106** | 36,554,266 |
| 2 | Intra-financial system assets | **1,636,200** | 1,197,102 |
| 3 | Intra-financial system liabilities | **3,174,074** | 3,039,378 |
| 4 | Securities outstanding and other financing tools | **3,171,258** | 2,891,007 |
| 5 | Total payments through payment system and as a correspondent for other banks | **718,529,474** | 653,342,763 |
| 6 | Assets under custody | **21,031,981** | 19,504,124 |
| 7 | Securities underwriting activity | **2,730,946** | 2,644,377 |
| 8 | Fixed income securities trading volume | **5,463,370** | 5,341,437 |
| 9 | Listed equities and other securities trading volume | **738,797** | 799,803 |
| 10 | Notional amount of over-the-counter (OTC) derivatives | **5,233,796** | 3,367,829 |
| 11 | Trading and available-for-sale securities[2] | **781,932** | 663,930 |
| 12 | Level 3 financial assets | **167,300** | 163,523 |
| 13 | Cross-jurisdictional claims | **1,107,706** | 994,625 |
| 14 | Cross-jurisdictional liabilities | **1,289,702** | 1,115,798 |

1. In accordance with the Instructions for G-SIBs assessment exercise by the Basel Committee on Banking Supervision, capital regulatory adjustments will not be deducted from on and off- balance sheet assets after adjustments.
2. Securities at fair value through profit or loss and securities at fair value through other comprehensive income are calculated by netting off the level 1 and level 2 assets, in accordance with the former CBIRC requirements. Level 1 and Level 2 assets are defined in the *Measures for Liquidity Risk Management of Commercial Banks* issued by the former CBIRC.
3. As per the regulatory requirements, the indicators for assessing global systemic importance are calculated under the scope of consolidation as required by the Basel Committee, which are different from the data under accounting scope of consolidation. As impacts related to intragroup transactions were excluded, these indicators were not comparable to other business statistics.

## 2 INDICATORS FOR ASSESSING DOMESTIC SYSTEMIC IMPORTANCE OF COMMERCIAL BANKS

The Group calculated the indicators for assessing domestic systemic importance of the Bank in accordance with the *Measures for Assessing Systemic Importance of Banks* issued by the PBC and the former CBIRC. The following table sets forth the Group's indicators as the date indicated.

| (Expressed in millions of RMB unless otherwise stated)<br>Tier 1 indicators | <br>Tier 2 indicators[1] | As at 31 December 2022<br>Amount |
|---|---|---|
| Size | Total on and off-balance sheet assets after adjustments | 36,270,300 |
| Interconnectedness | Intra-financial system assets | 3,037,664 |
| | Intra-financial system liabilities | 3,779,975 |
| | Securities outstanding and other financing tools | 2,086,254 |
| Substitutability | Total payments through payment system and as a correspondent for other banks | 653,342,763 |
| | Assets under custody | 19,504,124 |
| | Agency and underwriting activity | 9,756,731 |
| | Number of corporate customers (in 10 thousands) | 935 |
| | Number of personal customers (in 10 thousands) | 73,915 |
| | Number of domestic business organisations | 14,322 |
| Complexity | Derivatives | 3,467,721 |
| | Securities at fair value | 663,930 |
| | Assets of non-bank subsidiaries | 742,310 |
| | Total non-principal guaranteed WMPs issued by the Bank | 103,432 |
| | Total WMPs issued by the wealth management subsidiary | 1,911,028 |
| | Cross-jurisdictional claims and liabilities | 2,110,423 |

1. The above indicators are calculated in full accordance with the *Measures for Assessing Systemic Importance of Banks*, which are different from the indicators for G-SIBs.