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*This announcement and the listing documents referred herein are for informational purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and is not for distribution, directly or indirectly, in or into the United States.*

*Neither of this announcement and the listing documents referred herein constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. Neither this announcement nor anything herein (including the listing documents) forms the basis for any contract or commitment whatsoever. The securities referred to herein will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold in the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the company making the offer and its management and financial statements. No public offer of securities referred to herein is being or will be made in the United States.*

For the avoidance of doubt, the publication of this announcement and the listing documents referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the issuer for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.

中国农业银行
AGRICULTURAL BANK OF CHINA

AGRICULTURAL BANK OF CHINA LIMITED
中國農業銀行股份有限公司

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

(the "Bank")

(Stock Code: 1288)

U.S.$15,000,000,000 Medium Term Note Programme (the "Programme")
PUBLICATION OF THE OFFERING CIRCULAR

Arrangers

Agricultural Bank of China Limited Hong Kong Branch	**ABC International**	**Standard Chartered Bank**

Reference is made to the notice of the listing of the Programme on The Stock Exchange of Hong Kong Limited dated 13 March 2026 published by Agricultural Bank of China Limited 中國農業銀行股份有限公司 (the "**Formal Notice**"). Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as those defined in the Formal Notice.

This announcement is issued pursuant to Rule 37.39A of the Listing Rules. Please refer to the offering circular dated 13 March 2026 in relation to the Programme (the "**Listing Document**"), appended herein. The Listing Document is published in English only. No Chinese version of the Listing Document has been published.

Notice to Hong Kong investors: The Bank confirms that the notes to be issued under the Programme (the "**Notes**") are intended for purchase by Professional Investors (as defined in Chapter 37 of the Listing Rules) only and the Programme has been and the Notes (to the extent such Notes are to be listed on The Stock Exchange of Hong Kong Limited) will be listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Bank confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

Hong Kong, 16 March 2026

As at the date of this announcement, the executive directors of the Bank are Mr. GU Shu, Mr. WANG Zhiheng, Mr. LIU Hong and Mr. LIN Li; the non-executive directors of the Bank are Ms. ZHOU Ji, Mr. LI Wei, Mr. LIU Xiaopeng, Mr. ZHANG Qi (張奇) and Mr. ZHANG Hongwu; and the independent non-executive directors of the Bank are Mr. WU Liansheng, Mr. WANG Changyun, Mr. JU Jiandong, Ms. ZHUANG Yumin, Mr. ZHANG Qi (張琦) and Ms. WONG Pui Sze Priscilla.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES OR TO ANY U.S. PERSON OR ANY PERSON ACTING FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"))

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "**Offering Circular**"), and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from any Issuer (as defined below) or the Bank (as defined below) or from the Arrangers or the Dealers (each as defined below) the as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THIS OFFERING CIRCULAR MAY NOT BE DOWNLOADED, FORWARDED OR DISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY DOWNLOADING, FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view the attached Offering Circular or make an investment decision with respect to the securities, investors must be located outside the United States and not be a U.S. person or acting for the account or benefit of a U.S. person in an offshore transaction in reliance on Regulation S under the Securities Act. The attached Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to have represented to Agricultural Bank of China Limited Hong Kong Branch 中國農業銀行股份有限公司香港分行, ABCI Capital Limited 農銀國際融資有限公司, Standard Chartered Bank (the "**Arrangers**"), Agricultural Bank of China Limited Hong Kong Branch 中國農業銀行股份有限公司香港分行, ABCI Capital Limited 農銀國際融資有限公司, Standard Chartered Bank, BNP Paribas, Citigroup Global Markets Limited, Commonwealth Bank of Australia, Crédit Agricole Corporate and Investment Bank, DBS Bank Ltd., Deutsche Bank AG, Singapore Branch, First Abu Dhabi Bank PJSC, Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc, Merrill Lynch (Asia Pacific) Limited, Mizuho Securities Asia Limited and Wells Fargo Securities International Limited (together with the Arrangers, the "**Dealers**") and Agricultural Bank of China Limited 中國農業銀行股份有限公司 (the "**Bank**") or the relevant issuing branch of the Bank located outside the PRC (including Agricultural Bank of China Limited Hong Kong Branch 中國農業銀行股份有限公司香港分行) specified as an issuer (each an "**Issuer**") in the applicable Pricing Supplement (as defined in the attached Offering Circular) (1) that you and any customers you represent are and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, (2) that you are not in the United States and are not a U.S. person nor acting for the account or benefit of a U.S. person and (3) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the relevant Issuer, the Bank, the Dealers or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Dealer or such affiliate on behalf of the relevant Issuer in such jurisdiction.

The attached Offering Circular has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of any Issuer, the Bank, the Arrangers, the Dealers or the Agents (as defined in the attached Offering Circular) or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this electronic transmission, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

AGRICULTURAL BANK OF CHINA LIMITED
中國農業銀行股份有限公司

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

U.S.$15,000,000,000
Medium Term Note Programme

Under the U.S.$15,000,000,0 00 Medium Term Note Programme described in this Offering Circular (the "**Programme**"), Agricultural Bank of China Limited 中國農業銀行股份有限公司 (the "**Bank**") and, in relation to any issue of Notes under the Programme, the Bank and the relevant issuing branch of the Bank located outside the PRC (including Agricultural Bank of China Limited Hong Kong Branch 中國農業銀行股份有限公司香港分行) specified as an issuer (each an "**Issuer**") in the applicable Pricing Supplement (as defined below), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Notes (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.$15,000,000,000 (or the equivalent in other currencies), subject to increases of the programme size made in accordance with the terms of an Amended and Restated Dealer Agreement dated 16 January 2024 (the "**Dealer Agreement**").

The Notes may be issued on a continuing basis to one or more of the Dealers appointed under the Programme from time to time by an Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

Where applicable for a relevant tranche of Notes, the Notes will be issued within the relevant annual or otherwise general foreign debt issuance quota granted to the Bank pursuant to the Administrative Measures for the Examination and Registration of Medium and Long-term Foreign Debts of Enterprises (《企業中長期外債審核登記管理辦法》(國家發展和改革委員會令第56號)) issued by the NDRC on 5 January 2023 and effective on 10 February 2023, and as amended and supplemented by any implementation or guidance rules or policies as issued by the NDRC from time to time (the "**NDRC Administrative Measures**"). Alternatively, separate pre-issue registration of a particular tranche of Notes may be completed by the Bank as set forth in the relevant Pricing Supplement. After the issuance of such relevant tranche of Notes, the Bank undertakes to provide or cause to be provided a submission of the requisite information and documents in connection with such Tranche of Notes to the NDRC, and comply with any other applicable reporting requirement in connection with such tranche of Notes, within the prescribed timeframes after the relevant Issue Date in accordance with the NDRC Administrative Measures.

Investing in the Notes involves certain risks. See "Risk Factors" beginning on page 19.

Application has been made to The Stock Exchange of Hong Kong Limited (the "**HKSE**") for the listing of the Programme under which Notes may be issued by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only during the 12-month period after the date of this document on the HKSE. This document is for distribution to Professional Investors only. **Notice to Hong Kong investors:** Each Issuer confirms that the Notes to be issued under the Programme are intended for purchase by Professional Investors only and, the Programme and the Notes (where such Notes are to be listed on the HKSE) will be listed on the HKSE on that basis. Accordingly, each Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The HKSE has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme or the Notes on the HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or any Issuer, the Bank or the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the HKSE take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Each Series (as defined in "*Summary of the Programme*") of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**" together with the temporary Global Note, (the "**Global Notes**")). Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each holder of the Notes ("**Noteholder**") holding of Registered Notes of one Series. The Notes of each Series in registered form will initially be represented by a permanent global certificate (each a "**Global Certificate**") without interest coupons. The Global Notes and Global Certificates may be deposited on the relevant issue date (a) in the case of a Series intended to be cleared through Euroclear and/or Clearstream, Luxembourg, with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking SA ("**Clearstream, Luxembourg**") or with a sub-custodian for the Central Money markets Unit Service, operated by the Hong Kong Monetary Authority (the "**CMU**") and (b) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream, Luxembourg or CMU, or delivered outside a clearing system, as agreed between the relevant Issuer and the relevant Dealer.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Notes issued in bearer form (the "**Bearer Notes**") that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered or sold within the United States, or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the United States Securities Act of 1933 (the "**Securities Act**")) or, in the case of Bearer Notes, offered, sold or delivered in the United States, or to, or for the account or benefit of, United States persons (as defined in the Internal Revenue Code). For a description of certain restrictions on transfer, see "*Subscription and Sale*".

PRIIPs/IMPORTANT — EEA RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT — UK RETAIL INVESTORS — The Notes are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is either one (or both) of the following: (i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the Public Offers and Admissions to Trading Regulations 2024. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") which applies up to and including 5 April 2026, or disclosure document required by the FCA Product Disclosure Sourcebook (the "**DISC**") which will apply from and including 6 April 2026, for offering, selling or distributing the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation or DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024, as applicable.

MiFID II product governance/target market - The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise none of the Arrangers or the Dealers or any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance/target market - The Pricing Supplement in respect of any Notes may include a legend entitled "**UK MiFIR Product Governance**" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise none of the Arrangers or the Dealers or any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

The relevant Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein (the "**Conditions**"), in which event a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The Programme is expected to be rated "(P)A1" by Moody's Investors Service Hong Kong Ltd. ("**Moody's**"), "A" by Fitch Ratings Limited ("**Fitch**") and "A" by Standard & Poor's Ratings Services ("**S&P**"), a division of the McGraw-Hill Companies Inc. These ratings are only correct as at the date of this Offering Circular. Tranches of Notes (as defined in "*Summary of the Programme*") to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Arrangers and Dealers

Agricultural Bank of China Limited Hong Kong Branch | **ABC International** | **Standard Chartered Bank**

Dealers

BNP PARIBAS | **Citigroup**

Commonwealth Bank of Australia | **Crédit Agricole CIB** | **DBS Bank Ltd.**

Deutsche Bank | **First Abu Dhabi Bank** | **Goldman Sachs (Asia)**

HSBC | **J.P. Morgan** | **BofA Securities**

Mizuho | **Wells Fargo Securities**

Offering Circular dated 13 March 2026

IMPORTANT NOTICE

Each Issuer, having made all reasonable enquiries, confirms that to the best of its knowledge this Offering Circular contains or incorporates all information which is material in the context of the issuance and offering of Notes, that the information contained or incorporated by reference in this Offering Circular is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading in any material respect and which, in each case, is material in the context of the issuance and offering of the Notes. Each Issuer accepts responsibility accordingly.

Each Tranche of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" as amended and/or supplemented by a document specific to such Tranche called a pricing supplement (the "**Pricing Supplement**"). This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein (see "*Documents Incorporated by Reference*") and, in relation to any Tranche of Notes, must be read and construed together with the relevant Pricing Supplement.

No person has been or is authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the relevant Issuer or any of the Arrangers or the Dealers (as defined in "*Summary of the Programme*") or the Agents (as defined in "*Terms and Conditions of the Notes*") (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them). Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes should be considered as a recommendation by the relevant Issuer, any Dealer, any Arranger or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. This Offering Circular does not take into account the objectives, financial situation or needs of any potential investor. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the relevant Issuer, any Dealer, any Arranger or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the relevant Issuer or the Bank and its consolidated subsidiaries (together, the "**Group**") since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the relevant Issuer since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information

supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

PRIIPS REGULATION — PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT — UK RETAIL INVESTORS — The Notes are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is either one (or both) of the following: (i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the Public Offers and Admissions to Trading Regulations 2024. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") which applies up to and including 5 April 2026, or disclosure document required by the FCA Product Disclosure Sourcebook (the "**DISC**") which will apply from and including 6 April 2026, for offering, selling or distributing the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation or DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024, as applicable.

MiFID II product governance/target market — The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise none of the Arrangers or the Dealers or any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance/target market — The Pricing Supplement in respect of any Notes may include a legend entitled "**UK MiFIR Product Governance**" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise none of the Arrangers or the Dealers or any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

The Notes are being offered and sold to non-U.S. persons outside the United States in reliance on Regulation S. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Offering Circular, see "*Subscription and Sale*".

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. None of the relevant Issuer, any Arrangers, any Dealers or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) makes any representation to any investor in the Notes regarding the legality of its investment under any applicable law.

The distribution of this Offering Circular and any Pricing Supplement and the offer or sale of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the relevant Issuer, the Group, the Arrangers and the Dealers to inform themselves about and to observe any such restriction.

None of the relevant Issuer, the Group, the Arrangers, the Dealers or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the applicable Pricing Supplement, no action has been taken by the relevant Issuer, the Group, the Arrangers, the Dealers or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) which is intended to permit a public offering of any Notes or distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. In particular, there are restrictions on the distribution of

this Offering Circular and the offer or sale of Notes, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the European Economic Area, the United Kingdom, Hong Kong, Singapore, the PRC, Japan, Australia and New Zealand and to persons connected therewith. See "*Subscription and Sale*". Any Series of Notes may be subject to additional selling restrictions. Any additional restrictions on the sale or transfer of any Series of Notes will be specified in the applicable Pricing Supplement for such Notes.

To the fullest extent permitted by law, none of the Arrangers, the Dealers or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by an Arranger or a Dealer or any Agent or on its behalf in connection with the relevant Issuer, the Bank, the Group, the Programme or the issue and offering of the Notes. The Arrangers, the Dealers and the Agents (and any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Neither this Offering Circular nor any financial statements of the relevant Issuer or the Group are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the relevant Issuer, the Arrangers, the Dealers or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) that any recipient of this Offering Circular or any financial statements of the relevant Issuer or the Group should purchase the Notes. Each potential investor of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arrangers, the Dealers or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) undertakes to review the financial condition or affairs of the relevant Issuer or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers, the Dealers or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them).

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor's particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of Notes, which may describe additional risks and investment considerations associated with such Notes. The risks and investment considerations identified in this Offering Circular and the applicable Pricing Supplement are provided as general information only.

Investors should consult their own financial and legal advisers as to the risks and investment considerations arising from an investment in an issue of Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purpose of giving information with regard to the Issuers, the Bank and the Group. Each Issuer and the Bank accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct — Important Notice to Prospective Investors: Prospective investors should be aware that certain intermediaries in the context of certain offerings of Notes pursuant to the Programme (each such offering, a "**CMI Offering**"), including certain Dealers, may be "capital market intermediaries" (together, the "**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors.

Certain CMIs may also be acting as "overall coordinators" (together, the "**OCs**") for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the relevant Issuer, a CMI or its group companies would be considered under the SFC Code as having an association (an "**Association**") with the relevant Issuer, the CMI or the relevant group company. Prospective investors associated with the relevant Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the relevant Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not

be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealers and/or any other third parties as may be required by the SFC Code, including to the relevant Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

Singapore SFA Product Notification: The Pricing Supplement in respect of certain Tranche of Notes may include a legend entitled "*Singapore SFA Product Classification*" which will state the product classification of the Notes pursuant to Section 309B(1) of the Securities and Futures Act 2001 (the "**SFA**"). If so, the relevant Issuer will make a determination and provide the appropriate written notification to "relevant persons" in relation to each issue about the classification of the Notes being offered for the purposes of Section 309B(1)(a) and Section 309B(1)(c) of the SFA.

In connection with any Tranche of Notes, one or more of the Dealers (or persons acting on their behalf) may act as the stabilisation manager(s) (the "Stabilisation Manager(s)"). The identity of the Stabilisation Manager(s) (if any) will be disclosed in the relevant Pricing Supplement. In connection with the issue of any Tranche of Notes, one or more of the Dealers named as Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the closing date of the relevant Tranche of Notes. However, there is no obligation on such Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) to do this. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no

later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

In the Offering Circular, unless otherwise specified, references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China, all references to the "**PRC**" or "**China**" are to the People's Republic of China, excluding Taiwan, Hong Kong and Macau, references to "**U.S.$**", "**USD**" or "**U.S. dollars**" are to the lawful currency of the United States of America, references to "**CNY**" are to the lawful currency of the PRC, and references to "**Hong Kong dollar**" or "**HK$**" are to the lawful currency of Hong Kong.

In this Offering Circular, unless otherwise specified, references to:

- the "**Bank**" and the "**Group**" refer to either or both of Agricultural Bank of China Limited 中國農業銀行股份有限公司and the Bank's predecessor, Agricultural Bank of China, as applicable, and, except as the context otherwise requires, the subsidiaries of Agricultural Bank of China Limited 中國農業銀行股份有限公司 and of the Bank's predecessor, Agricultural Bank of China;

- the "**branch outlets**" include the head office, branches and outlets and other establishments of the Bank;

- a "**business day**" is a day that is not Saturday, Sunday or a public holiday in Hong Kong; and

- the terms "**associate**", "**subsidiary**" and "**substantial shareholder**" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

For ease of reference, in this Offering Circular, unless otherwise indicated, the terms "loans and advances to customers", "loans" and "loans to customers" are used synonymously.

In this Offering Circular, unless otherwise indicated, the discussions on loans are based on the Bank's gross loans and advances to customers, before taking into account the related allowance for impairment losses, rather than its net loans to customers. The Bank's loans and advances to customers are reported net of the allowance for impairment losses on its consolidated statement of financial position.

The growth rates with respect to the business and financial data of the Bank presented in this Offering Circular are calculated based on amounts in millions of Renminbi.

Presentation of Financial Information

This Offering Circular contains the audited consolidated financial statements of the Bank as at and for the year ended 31 December 2023 (the "**2023 Audited Financial Statements**") and the audited consolidated financial statements of the Bank as at and for the year ended 31 December 2024 (the "**2024 Audited Financial Statements**", together with the 2023 Audited Financial Statements, the "**Audited Consolidated Financial Statements**"). The Bank's Audited Consolidated Financial Statements were prepared in accordance with the IFRS

Accounting Standards issued by the International Accounting Standards Board (the "**IASB**") and were audited by KPMG in accordance with International Standards on Auditing.

The Offering Circular also contains the unaudited condensed consolidated interim financial statements of the Bank as at and for the six months ended 30 June 2025 (which includes the comparative financial information for the six months ended 30 June 2024) (the "**2025 Interim Financial Statements**"). The 2025 Interim Financial Statements were prepared and presented in accordance with IAS 34 "Interim Financial Reporting" issued by the IASB and have been reviewed by KPMG, in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

The 2025 Interim Financial Statements included in this Offering Circular have not been audited by KPMG.

The 2025 Interim Financial Statements were prepared and presented in accordance with IAS 34. However, the 2025 Interim Financial Statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit. The 2025 Interim Financial Statements should not be taken as an indication of the expected financial condition and results of operations of the Bank for the full financial year ended 31 December 2025.

None of the Arrangers, the Dealers or the Agents nor any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them make any representation, or warranty, express or implied, regarding the sufficiency of the Bank's 2025 Interim Financial Statements for an assessment of the Bank's financial condition, results of operations and results.

In respect of the 2023 Audited Financial Statements, the Group has implemented IFRS 17 (the "**New Standards for Insurance Contracts**") as issued by the IASB in 2017 with the transition date of 1 January 2023, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the Group's consolidated financial statements. The Group did not early adopt the New Standards for Insurance Contracts in previous periods. According to the transitional provisions of IFRS 17, the Group has retroactively adjusted equity as at 1 January 2022 for the cumulative impact of the accounting treatment inconsistency of insurance contracts prior to the transition date of 1 January 2023 and the provisions of the New Standards for Insurance Contracts, and adjusted the related reporting information of the financial statements for the comparative period. Besides, in order to coordinate with IFRS 17, the Group has reassessed the business model for managing related financial assets under the requirements of IFRS 17, and adjusted the cumulative impact of the reclassification and measurement of financial assets in the retained earnings and other components of equity at 1 January 2023, without adjusting the information of comparative period. The impact of the adoption of IFRS 17 and its amendments are disclosed in Note II 1.3 of the 2023 Audited Financial Statements.

Unless otherwise stated, all financial data contained herein which is stated as relating to the Bank refers to the consolidated data of the Group.

In this Offering Circular, because certain amounts have been rounded, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items, and actual numbers may differ from those contained herein due to rounding.

Documents Incorporated by Reference

The Bank hereby incorporates by reference (i) each Pricing Supplement, (ii) the most recently published audited consolidated annual financial statements and the most recently published unaudited consolidated interim financial statements of the Bank published from time to time after the date of this Offering Circular in each case together with any audit or review reports prepared in connection therewith, and the most recently published unaudited and unreviewed consolidated quarterly financial statements of the Bank and (iii) all amendments and supplements from time to time to this Offering Circular, each of which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with the contents of this Offering Circular.

The Bank publishes its consolidated quarterly financial statements in respect of the three months ended 31 March and nine months ended 30 September of each financial year. A copy of the quarterly financial statements can be found on the website of the HKSE. The quarterly financial statements have not been and will not be audited or reviewed by the Bank's independent auditors and were and will be prepared under IFRS Accounting Standards. The quarterly financial statements should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors should exercise caution when using such data to evaluate the Bank's financial condition and results of operation. The quarterly financial statements should not be taken as an indication of the expected financial condition or results of operations of the Bank for the relevant full financial year.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified offices of the Bank and of the Paying Agents set out at the end of this Offering Circular.

Supplemental Offering Circular

Each of the Bank and the Issuer has given an undertaking to the Arrangers and the Dealers that if it has notified the Arrangers or the Dealers in writing that it intends to issue Notes under the Programme for the time being, and if a significant new factor, material mistake or inaccuracy arises or is noted relating to the information included in the Offering Circular which is capable of affecting an assessment by investors of the assets and liabilities, financial position, profits and losses, and prospects of the relevant Issuer and/or of the rights attaching to the Notes, it shall (i) prepare and publish an amendment or supplement to the Offering Circular, (ii) advise the Arrangers and the Dealers promptly of any proposal

to amend or replace the Offering Circular, (iii) advise the Arrangers and Dealers promptly of any proposal to supplement the Offering Circular and (iv) provide the Arrangers and the Dealers with a copy of any such proposed amendment, supplement or replacement immediately prior to its publication.

Forward-Looking Statements

Certain statements under "*Risk Factors*", "*Description of the Bank*" and elsewhere in this Offering Circular constitute "forward-looking statements". The words including "believe", "expect", "plan", "anticipate", "schedule", "estimate", "may", "will", "would", "could", "aim", "intend", "project", "potential", "future", "seek", "should" and similar words or the negative thereof, or expressions identify forward-looking statements.

In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group's management for its future operations (including development plans and objectives relating to the Group's operations), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements. Reliance should not be placed on these forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. The Bank, the Group and the relevant Issuer expressly disclaim any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Bank's, the relevant Issuer's or the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "*Risk Factors*" and elsewhere, important factors that could cause actual results to differ materially from the Bank's, the Group's or the relevant Issuer's expectations. All subsequent written and forward-looking statements attributable to the Bank, the Group, the relevant Issuer or persons acting on behalf of the Bank, the Group, the relevant Issuer are expressly qualified in their entirety by such cautionary statements.

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DEFINITIONS AND CONVENTIONS

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

2017 PBOC Circular	the Notice of the PBOC on Matters Concerning the Macro-Prudential Management of Full-Covered Cross-Border Financing (Yin Fa [2017] No. 9) (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》(銀發[2017]9號))
Accountholder	each person who is for the time being shown in the records of the CMU operator as the holder of a particular principal amount of the Notes
Articles of Association	Articles of Association of the Bank, as constituted and amended from time to time. Except where the context otherwise requires, the Articles of Association refers to the Articles of Association of the Bank approved by NFRA on 31 December 2012
ATM	Automatic Teller Machine
Basel I	1988 Basel Capital Accord
Basel II	the revised Basel Capital Framework promulgated in June 2004
Basel III	the newest Basel Capital Accord promulgated in December 2010
Big Four	Agricultural Bank of China, Bank of China, China Construction Bank and Industrial and Commercial Bank of China
bps	basic points
CAGR	compound annual growth rate
Capital Adequacy Regulations	the Administrative Measures on Capital Adequacy Ratio of Commercial Banks (商業銀行資本充足率管理辦法), as promulgated by the NFRA on 23 February 2004, effective as of 1 March 2004 and amended on 3 July 2007 (repealed and replaced by the Capital Management Regulations on 1 January 2013)
Capital Management Regulations	the Provisional Administrative Measures on Capital Management of Commercial Banks (商業銀行資本管理辦法), as promulgated by the NFRA on 1 November 2023, effective as of 1 January 2024
China or **PRC**	the People's Republic of China, but for the purpose of this Offering Circular only and except where the context requires, references in this Offering Circular to "China" and the "PRC" do not include Hong Kong, Macau and Taiwan

CIRC	China Insurance Regulatory Commission (中國保險監督管理委員會)
CMU	Central Moneymarkets Unit Service
County Area Banking Business or **Sannong Banking Business**	a broad range of financial products and services the Bank provides to customers in the County Areas through the Bank's branch outlets located in counties and county-level cities in the PRC. The Bank refers to such banking business as the "County Area Banking Business" or "Sannong Banking Business" (三農金融業務), which are used interchangeably throughout this Offering Circular
County Area or **County Areas**	areas designated as counties or county-level cities under China's administrative division system. As an administrative division unit, a county or county-level city is generally directly below and under the direct supervision of its corresponding municipal-level or provincial-level government. County Areas include economically more developed county centres, towns and the vast rural areas within their jurisdictions
CPC Central Committee	the Central Committee of the Chinese Communist Party
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
EEA	European Economic Area
FDI	foreign direct investment
Fiscal Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行亞洲股份有限公司)
GDP	gross domestic product
HKMA	Hong Kong Monetary Authority
HKSE	The Stock Exchange of Hong Kong Limited
Hong Kong or **HK**	the Hong Kong Special Administrative Region of the PRC
Huijin	Central Huijin Investment Ltd (中央滙金投資有限責任公司), a state-owned investment company incorporated under the laws of the PRC
IASB	the International Accounting Standards Board
IFRIC	the International Financial Reporting Interpretations Committee
Internal Revenue Code	the U.S. Internal Revenue Code of 1986 and the regulations thereunder

Issuer	Agricultural Bank of China Limited 中國農業銀行股份有限公司 and, in relation to any issue of Notes under the Programme, the relevant issuing branch of the Bank located outside the PRC (including Agricultural Bank of China Limited Hong Kong Branch 中國農業銀行股份有限公司香港分行) specified as an issuer in the applicable Pricing Supplement
Large Commercial Banks	Agricultural Bank of China, Bank of China, Bank of Communications, China Construction Bank and Industrial and Commercial Bank of China
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
Macau	the Macau Special Administrative Region of the PRC
MOF	Ministry of Finance of the PRC (中華人民共和國財政部)
MOFCOM	Ministry of Commerce of the PRC (中華人民共和國商務部)
NAO	National Audit Office of the PRC (中華人民共和國審計署)
National Joint Stock Commercial Banks	China CITIC Bank, China Everbright Bank, Huaxia Bank, Guangdong Development Bank, Shenzhen Development Bank, China Merchants Bank, Shanghai Pudong Development Bank, Industrial Bank, China Minsheng Bank, Evergrowing Bank, Zheshang Bank and Bohai Bank
NBSC	National Bureau of Statistics of China (中華人民共和國國家統計局)
NDRC	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
NFRA	National Financial Regulatory Administration (國家金融監督管理總局), or former China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), or former China Banking Regulatory Commission (中國銀行業監督管理委員會)
non-performing loans	identified impaired loans and advances
Notes	Notes issued under the U.S.$15,000,000,000 Medium Term Note Programme
OFAC	the Office of Foreign Assets Control of the U.S. Department of the Treasury
PBOC	People's Bank of China (中國人民銀行)
POS	point of sale, a checkout counter in a shop or any location where a transaction occurs

PRC GAAP	the PRC Accounting Standards and Accounting Regulations for Business Enterprises promulgated by the MOF on 15 February 2006 and its supplementary regulations
QDIIs	qualified domestic institutional investors in the PRC, which are licensed by the CSRC to invest in foreign securities markets
QFIIs	qualified foreign institutional investors licensed by the CSRC to invest in Renminbi-denominated shares listed on China's domestic securities exchanges
Regulation S.	Regulation S under the U.S. Securities Act
SAFE	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
SAIC.	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
Sannong.	a short-hand reference to the Chinese pronunciation of the phrase "agriculture, rural areas and farmers" (農業、農村和農民). The terminology "Sannong" (三農) was initially created to refer to the three rural development issues in China (specifically, agriculture, rural areas and farmers) and has become an expression widely adopted by the policymakers in China. Throughout this Offering Circular, the Bank uses "Sannong" to refer to the PRC government's policies or vision, as applicable, aiming to promote agricultural industry, rural development and the welfare of China's farmers. The current economic development of China's County Areas directly benefits from the PRC government's "Sannong" policies
SASAC	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
SAT	State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
Securities and Futures Commission or **SFC** .	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
SHIBOR	Shanghai Interbank Offered Rate, a daily reference rate published by the National Interbank Funding Centre
SME or **SMEs**	small- and medium-sized enterprises
SSE	The Shanghai Stock Exchange

SSF	National Council for Social Security Fund of the PRC (全國社會保障基金理事會)
State Council	the PRC State Council (中華人民共和國國務院)
U.S. Securities Act or **Securities Act**	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
United States or **U.S.**	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
Urban Area or **Urban Areas**	the rest of China other than the County Areas
WTO	World Trade Organisation

In this Offering Circular, the Bank defines the geographical regions of China to which the Bank refers for the purpose of describing the Bank's branch network and presenting certain results of operations and financial condition as follows:

Geographical regions	Branches	
"Yangtze River Delta"	• Shanghai Municipality • Jiangsu Province	• Zhejiang Province • City of Ningbo
"Pearl River Delta"	• Guangdong Province • City of Shenzhen	• Fujian Province • City of Xiamen
"Bohai Rim"	• Beijing Municipality • Tianjin Municipality • Hebei Province	• Shandong Province • City of Qingdao
"Central China"	• Shanxi Province • Hubei Province • Henan Province • Hunan Province	• Jiangxi Province • Hainan Province • Anhui Province
"Northeastern China"	• Liaoning Province • Heilongjiang Province	• Jilin Province • City of Dalian
"Western China"	• Chongqing Municipality • Sichuan Province • Guizhou Province • Yunnan Province • Shaanxi Province • Gansu Province • Qinghai Province • Ningxia Autonomous Region	• Xinjiang Autonomous Region • The Xinjiang Production and Construction Corps • Tibet Autonomous Region • Inner Mongolia Autonomous Region • Guangxi Autonomous Region

SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this Offering Circular. Words and expressions defined in "Terms and Conditions of the Notes" below shall have the same meaning in this summary.

The Issuer	Agricultural Bank of China Limited 中國農業銀行股份有限公司 and, in relation to any issue of Notes under the Programme, the relevant issuing branch of the Bank located outside the PRC (including Agricultural Bank of China Limited Hong Kong Branch 中國農業銀行股份有限公司香港分行) specified as the Issuer in the applicable Pricing Supplement.
Description.	Medium Term Note Programme.
Size.	Up to U.S.$15,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Risk Factors.	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Risk factors*" below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk factors*" and include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of particular Series of Notes and certain market risks.
Arrangers.	Agricultural Bank of China Limited Hong Kong Branch 中國農業銀行股份有限公司香港分行 ABCI Capital Limited 農銀國際融資有限公司 Standard Chartered Bank

Dealers	Agricultural Bank of China Limited Hong Kong Branch 中國農業銀行股份有限公司香港分行 ABCI Capital Limited 農銀國際融資有限公司 Standard Chartered Bank BNP Paribas Citigroup Global Markets Limited Commonwealth Bank of Australia Crédit Agricole Corporate and Investment Bank DBS Bank Ltd. Deutsche Bank AG, Singapore Branch First Abu Dhabi Bank PJSC Goldman Sachs (Asia) L.L.C. The Hongkong and Shanghai Banking Corporation Limited J.P. Morgan Securities plc Merrill Lynch (Asia Pacific) Limited Mizuho Securities Asia Limited Wells Fargo Securities International Limited The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Fiscal Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
Transfer Agents	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
Registrar	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
CMU Lodging and Paying Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
Method of Issue	The Notes may be issued on a syndicated or non-syndicated basis.

	The Notes may be issued in series (each a "**Series**") having one or more issue dates (each tranche within such Series, a "**Tranche**") and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest, nominal amount of the Tranche and the timing for notification to the NDRC, will be identical to the terms of other Tranches of the same Series) will be set out in a pricing supplement (a "**Pricing Supplement**").
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes	Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"). Registered Notes will not be exchangeable for Bearer Notes and vice versa. Each Tranche of Bearer Notes will initially be in the form of either a temporary Global Note or a permanent Global Note, in each case as specified in the relevant Pricing Supplement. Each Global Note will be deposited on or around the relevant issue date with a common depositary or sub-custodian for Euroclear, Clearstream, Luxembourg and/or as the case may be, the CMU and/or any other relevant clearing system. Each temporary Global Note will be exchangeable for a permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a temporary Global Note or receipt of any payment of interest in respect of a temporary Global Note. Each permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "**Global Certificates**".

	Registered Notes sold in an "offshore transaction" within the meaning of Regulation S will initially be represented by a Global Certificate.
Clearing Systems.	The CMU, Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.
Initial Delivery of Notes	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or deposited with a sub-custodian for the HKMA as operator of the CMU or deposited with a depositary or sub-custodian for any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealers. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity.
Specified Denomination	Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement, save that unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which must be redeemed before the first anniversary of their date of issue and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Fixed Rate Notes	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement.
Floating Rate Notes. . .	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., as amended, supplemented or replaced;

(ii) by reference to EURIBOR or HIBOR or CNH HIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin;

(iii) on the basis of SOFR reference rates appearing on the agreed screen page of a commercial quotation service (in relation to Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SOFR Benchmark, please see Condition 5(b)(iii)(C)); or

(iv) on such other basis as may be agreed between the Issuer and the relevant Dealer.

Interest periods will be specified in the relevant Pricing Supplement. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each series of Floating Rate Notes.

Zero Coupon Notes . . . Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.

Dual Currency Notes . . Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Pricing Supplement.

Index Linked Notes . . . Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Pricing Supplement.

Interest Periods and Interest Rates . . . . . The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.

Redemption and Redemption Amounts The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which must be redeemed before the first anniversary of their date of issue and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

Redemption by Instalments	The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
Other Notes	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that the Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Pricing Supplement.
Optional Redemption . .	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Status of the Notes . . .	The Notes issued by the Issuer will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a)) unsecured obligations of the Issuer and will rank *pari passu* without any preference among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer other than any such obligations as are preferred by law, all as further described in Condition 3.
Negative Pledge	See "*Terms and Conditions of the Notes — Negative Pledge*".
Events of Default	See "*Terms and Conditions of the Notes — Events of Default*".
Cross Default	See the relevant sub-condition under "*Terms and Conditions of the Notes — Events of Default*".
Ratings	The Programme is expected to be rated "(P)A1" by Moody's, "A" by Fitch and "A" by S&P. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Early Redemption	Except as provided in "Optional Redemption" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "*Terms and Conditions of the Notes — Redemption, Purchase and Options*".
Withholding Tax	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of a Tax Jurisdiction, subject to customary exceptions, all as described in "*Terms and Conditions of the Notes — Taxation*".

Governing Law and Jurisdiction	English law, with submission to the jurisdiction of the courts of England.
Listing	Application has been made to the HKSE for the listing of the Programme, under which Notes may be issued by way of debt issues to Professional Investors only during the 12-month period after the date of this document on the HKSE. Application may be made to list the Notes issued by way of debt issues to Professional Investors only under the Programme on the HKSE. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).
Legal Entity Identifier .	549300E7TSGLCOVSY746.
Selling Restrictions . . .	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, the EEA, the United Kingdom, Hong Kong, Singapore, the PRC, Japan, Australia and New Zealand, see "*Subscription and Sale*" below.

SUMMARY FINANCIAL INFORMATION OF THE BANK

The summary historical consolidated financial information of the Bank as at and for the years ended 31 December 2022 is derived from the Bank's 2023 Audited Financial Statements, which are included elsewhere in this Offering Circular. The summary historical consolidated financial information of the Bank as at and for the years ended 31 December 2023 and 2024 is derived from the Bank's 2024 Audited Financial Statements, which are included elsewhere in this Offering Circular. The summary historical consolidated financial information of the Bank as at 30 June 2025 and for the six months ended 30 June 2024 and 2025 is derived from the Bank's 2025 Interim Financial Statements, which are included elsewhere in this Offering Circular. The Bank's 2023 Audited Financial Statements (which include the comparative financial information as at and for the year ended 31 December 2022) and 2024 Audited Financial Statements were prepared in accordance with IFRS Accounting Standards and have been audited by KPMG in accordance with International Standards on Auditing. The Bank's 2025 Interim Financial Statements (which include the comparative financial information for the six months ended 30 June 2024) were reviewed by KPMG in accordance with International Standard on Review Engagements 2410.

The 2025 Interim Financial Statements included in this Offering Circular have not been audited by KPMG.

The 2025 Interim Financial Statements were prepared and presented in accordance with IAS 34. However, the 2025 Interim Financial Statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit. The 2025 Interim Financial Statements should not be taken as an indication of the expected financial condition and results of operations of the Bank for the full financial year ended 31 December 2025.

None of the Arrangers, the Dealers or the Agents nor any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them make any representation, or warranty, express or implied, regarding the sufficiency of the Bank's 2025 Interim Financial Statements for an assessment of the Bank's financial condition, results of operations and results.

The Bank has implemented IFRS 17 as issued by the IASB with the initial application date 1 January 2023, which resulted in restatement of the comparative figures for the previous period starting from 1 January 2022 in accordance with the transitional provisions of IFRS 17 and the Bank is not required to restate the financial information for the previous period before 1 January 2022. As such, the Bank restated the comparative figures as at 1 January 2022, as at and for the year ended 31 December 2022 in the 2023 Audited Financial Statements.

Investors should therefore exercise caution when comparing the financial data of the Bank in relation to related items as at and for the year ended 31 December 2022. Please refer to Note II 1.1 "Standards and amendments effective in 2023 relevant to and adopted by the Group" and Note II 1.3 "Changes in material accounting policies" of the Bank's 2023 Audited Financial Statements for details of the adoption of IFRS 17.

Summary historical financial information should be read in conjunction with the Bank's audited consolidated financial statements and the notes thereto and the Bank's unaudited but reviewed condensed consolidated interim financial statements and the notes thereto, which are included from page F-2 of this Offering Circular. The historical results do not necessarily indicate the expected results for any future period of the Bank.

SUMMARY HISTORICAL CONSOLIDATED STATEMENTS OF PROFITS OR LOSS

	For the year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
				(Unaudited)	(Unaudited)
	CNY (in millions)	CNY (in millions)	CNY (in millions)	CNY (in millions)	CNY (in millions)
Interest income	1,108,464	1,223,698	1,275,680	644,048	598,005
Interest expense	(518,581)	(651,948)	(694,988)	(353,200)	(315,532)
Net interest income	589,883	571,750	580,692	290,848	282,473
Fee and commission income	95,518	94,710	89,965	53,683	58,097
Fee and commission expense	(14,236)	(14,617)	(14,398)	(6,947)	(6,656)
Net fee and commission income	81,282	80,093	75,567	46,736	51,441
Net trading gain	5,519	23,124	25,505	15,758	7,558
Net gain on financial investments	5,909	16,764	20,615	11,054	5,869
Net gain on derecognition of financial assets measured at amortised cost	160	1,038	7,167	4,300	15,088
Other operating income/(expense)	12,530	2,699	1,870	(1,556)	7,364
Operating income	695,283	695,468	711,416	367,140	369,793
Operating expenses	(243,571)	(252,305)	(261,180)	(108,679)	(111,725)
Credit impairment losses	(145,266)	(135,707)	(130,840)	(100,998)	(97,955)
Impairment losses on other assets	(59)	(226)	(267)	(33)	(14)
Operating profit	306,387	307,230	319,129	157,430	160,099
Share of result of associate and join ventures	66	189	72	41	441
Profit before tax	306,453	307,419	319,201	157,471	160,540
Income tax expense	(47,587)	(37,599)	(36,530)	(20,977)	(20,597)
Profit for the year/period	**258,866**	**269,820**	**282,671**	**136,494**	**139,943**
Attributable to:					
— Equity holders of the Bank	259,232	269,356	282,083	135,892	139,510
— Non-controlling interests	(366)	464	588	602	433
	258,866	**269,820**	**282,671**	**136,494**	**139,943**
Earnings per share attributable to the ordinary equity holders of the Bank (expressed in CNY per share) — Basic and diluted	**0.69**	**0.72**	**0.75**	**0.37**	**0.37**

SUMMARY HISTORICAL CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at 30 June
	2022	2023	2024	2025
				(Unaudited)
	CNY (in millions)	CNY (in millions)	CNY (in millions)	CNY (in millions)
Assets				
Cash and balances with central banks	2,549,130	2,922,047	2,134,452	3,362,831
Deposits with banks and other financial institutions	630,885	1,080,076	571,956	410,918
Precious metals	83,389	54,356	115,253	168,487
Placements with and loans to banks and other financial institutions	500,330	516,181	529,767	472,461
Derivative financial assets	30,715	24,873	65,920	42,680
Financial assets held under resale agreements	1,172,187	1,809,559	1,371,571	1,554,271
Loans and advances to customers	18,980,973	21,731,766	23,977,013	25,764,001
Financial assets at fair value through profit or loss	522,057	547,407	513,306	521,158
Debt instrument investments at amortised cost	7,306,000	8,463,255	9,905,633	10,348,968
Other debt instrument and other equity investments at fair value through other comprehensive income	1,702,106	2,203,051	3,430,164	3,570,257
Investment in associates and joint ventures	8,092	8,386	10,332	15,597
Property and equipment	152,572	156,739	154,484	150,313
Goodwill	1,381	1,381	1,381	1,381
Deferred tax assets	149,930	160,750	148,009	143,504
Other assets	135,741	193,162	308,894	329,051
Total assets	**33,925,488**	**39,872,989**	**43,238,135**	**46,855,878**
Liabilities and Equity				
Borrowings from central banks	901,116	1,127,069	847,324	942,778
Deposits from banks and other financial institutions	2,459,178	3,653,497	4,667,561	5,670,071
Placements from banks and other financial institutions	333,755	382,290	364,022	366,475
Financial liabilities at fair value through profit or loss	12,287	12,597	15,841	25,036
Derivative financial liabilities	31,004	27,817	58,146	52,939
Financial assets sold under repurchase agreements	43,779	100,521	615,725	1,066,458
Due to customers	25,121,040	28,898,468	30,305,357	31,900,486
Dividends payable	1,936	—	40,738	43,923
Debt securities issued	1,869,398	2,295,921	2,678,509	3,105,787
Deferred tax liabilities	9	14	309	632
Other liabilities	478,226	477,928	547,330	532,052
Total liabilities	**31,251,728**	**36,976,122**	**40,140,862**	**43,706,637**
Ordinary shares	349,983	349,983	349,983	349,983
Other equity instruments	440,000	480,000	500,000	465,000
Preference shares	80,000	80,000	80,000	80,000
Perpetual bonds	360,000	400,000	420,000	385,000
Capital reserve	173,426	173,425	173,419	173,415
Other comprehensive income	35,887	41,506	81,816	82,730
Surplus reserve	246,764	273,558	301,841	302,271
General reserve	388,600	456,200	532,991	570,192
Retained earnings	1,033,403	1,114,576	1,150,758	1,199,509
Equity attributable to equity holders of the Bank	2,668,063	2,889,248	3,090,808	3,143,100
Non-controlling interests	5,697	7,619	6,465	6,141
Total equity	**2,673,760**	**2,896,867**	**3,097,273**	**3,149,241**
Total equity and liabilities	**33,925,488**	**39,872,989**	**43,238,135**	**46,855,878**

CAPITAL RATIO DATA FOR THE BANK

Capital Adequacy Indicators

Item	As at 31 December			As at 30 June
	2022	2023	2024	2025
Common equity tier 1 capital adequacy ratio[1]	11.15%	10.72%	11.42%	11.11%
Tier 1 capital adequacy ratio[1]	13.37%	12.87%	13.63%	13.04%
Capital adequacy ratio[1]	17.20%	17.14%	18.19%	17.45%

Asset Quality Indicators

Item	As at 31 December			As at 30 June
	2022	2023	2024	2025
Non-performing loan ratio[2]	1.37%	1.33%	1.30%	1.28%
Allowance to non-performing loans[3]	302.60%	303.87%	299.61%	295.00%
Allowance to loan ratio[4]	4.16%	4.05%	3.88%	3.77%

Notes:

(1) Since 1 January 2024, figures were calculated in accordance with the Rules on Capital Management of Commercial Banks and other relevant regulations; before 1 January 2024, figures were calculated in accordance with the Rules on Capital Management of Commercial Banks (Provisional) and other relevant regulations.

(2) Calculated by dividing balance of non-performing loans (excluding accrued interest) by the balance of total loans and advances to customers (excluding accrued interest).

(3) Calculated by dividing the balance of allowance for impairment losses on loans by the balance of non-performing loans (excluding accrued interest), among which, the balance of allowance for impairment losses on loans includes the allowance for impairment losses on bills and forfeiting recognised in other comprehensive income.

(4) Calculated by dividing the balance of allowance for impairment losses on loans by the balance of total loans and advances to customers (excluding accrued interest), among which, the balance of allowance for impairment losses on loans includes the allowance for impairment losses on bills and forfeiting recognised in other comprehensive income.

OTHER FINANCIAL INDICATORS

		Regulatory Standard	As at 31 December			As at 30 June
			2022	2023	2024	2025
Liquidity Ratio (%)[1]	Renminbi	≥25	64.21	75.42	85.34	98.94
	Foreign Currency	≥25	235.12	182.67	181.05	149.57
Percentage of loans to the largest single customer (%)[2]		< 10	2.59	1.99	2.64	2.68
Percentage of loans to top ten customers (%)[3]			13.54	12.02	13.79	14.85
Loan migration ratio (%)[4]	Normal		1.30	1.39	1.26	1.61
	Special mention		25.77	23.85	18.61	30.96
	Substandard		46.35	35.45	39.37	67.18
	Doubtful		6.03	17.29	22.98	116.34

Notes:

(1) Calculated by dividing current assets by current liabilities in accordance with the relevant regulations of the NFRA.

(2) Calculated by dividing total loans to the largest single customer (excluding accrued interest) by net capital.

(3) Calculated by dividing total loans to top ten customers (excluding accrued interest) by net capital.

(4) Calculated in accordance with the relevant regulations of the NFRA, reflecting domestic data only.

OPERATING INCOME BY BUSINESS

Item	For the year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
				(Unaudited)	(Unaudited)
	CNY (in millions)	CNY (in millions)	CNY (in millions)	CNY (in millions)	CNY (in millions)
Corporate banking business	277,544	271,524	278,878	152,123	138,060
Retail banking business	355,348	364,837	389,859	203,769	190,281
Treasury operations	44,436	39,214	18,972	185	29,403
Other operations	48,171	19,893	23,707	11,063	12,049
Total	**725,499**	**695,468**	**711,416**	**367,140**	**369,793**

KEY FINANCIAL INDICATORS OF COUNTY AREA BANKING BUSINESS

	For the year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
Average yield of loans (%)	4.30	3.89	3.54	3.66[(2)]	3.09[(2)]
Average cost of loans (%)	1.63	1.66	1.54	1.59[(2)]	1.35[(2)]
Net fee and commission income to operating income (%)	10.00	9.85	8.80	10.41	10.68
Cost-to-income ratio (%)[(1)]	35.35	34.42	33.54	26.28	26.73

	As at 31 December			As at 30 June
	2022	2023	2024	2025
Loan-to-deposit ratio (%)	67.87	71.17	74.92	77.01
Non-performing loan ratio (%)	1.27	1.24	1.21	1.20
Allowance to non-performing loans (%)	364.99	355.32	338.33	331.05
Allowance to loan ratio (%)	4.65	4.40	4.10	3.97

Notes:

(1) Calculated by dividing operating and administrative expenses by operating income under CASs, which is consistent with the corresponding figures as stated in the financial report of the Bank prepared in accordance with CASs.

(2) Annualised figures.

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Offering Circular, including the risks and uncertainties described below. The Bank's business, financial condition or results of operations could be materially adversely affected by any of these risks. The Bank believes that the following factors may affect the Bank's ability to fulfil its obligations under the Notes. Additional considerations and uncertainties not presently known to the Bank or which the Bank currently deems immaterial may also have an adverse effect on an investment in the Notes. All of these factors are contingencies which may or may not occur and the Bank is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Bank believes may be material for the purpose of assessing the market risks associated with the Notes are described below. The Bank believes that the factors described below represent the principal risks inherent in investing in the Notes, but its inability to repay principal, pay interest (if any) or other amounts or fulfil other obligations on or in connection with the Notes may occur for other reasons and it does not represent that the statements below regarding the risks of holding the Notes are exhaustive.

RISKS RELATING TO THE BANK'S LOAN PORTFOLIO

The Bank has a concentration of loans to certain regions, industries and customers, and if the conditions of these regions or these industries, or the financial conditions of these customers deteriorate significantly, its asset quality, financial condition and results of operations may be materially and adversely affected.

As at 30 June 2025, 41.2 per cent. of the Bank's total loans and advances to customers and 47.4 per cent. of its non-performing loans originated in Western, Central and North-eastern China. Although these regions may currently benefit economically from favourable government policies, any of these economic policies may change in the future and the implementation of such policies may not be as effective as the Bank anticipates, nor can the Bank control or influence the change of such policies in these regions. A significant economic downturn in any of these regions, which may be caused by, among others, the global uncertainty resulting from the ongoing trade dispute between the PRC and the United States as well as the Russia-Ukraine conflict, or any inaccurate assessment or the Bank's failure in the management of the credit risks regarding borrowers who are located, or have substantial operations, in such regions, whether due to changes in government policies or otherwise, may materially and adversely affect its asset quality, financial condition and results of operations.

As at 30 June 2025, the Bank's loans to China's (i) manufacturing; (ii) transportation, storage and postal services; (iii) water, environment and public utilities management; (iv) leasing and commercial services and (v) production and supply of electricity, heating, gas and water industries represented 17.1 per cent., 20.0 per cent., 8.8 per cent., 16.4 per cent. and 11.3 per cent. of its total corporate loans outstanding, respectively. A significant downturn in any industry in which its loans are highly concentrated may lead to a significant increase in non-performing loans, and may negatively affect the level of new lending or refinancing of existing loans to borrowers in that industry, which may materially and adversely affect its asset quality, financial condition and results of operations.

In accordance with PRC national policies aimed at restricting the over-development of certain industries with excess capacity, including wind power equipment, steel, cement, coal, chemical and flat glass, among other industries, the Bank has adopted a strict policy towards making loans to these industries. In order to reduce its loan exposure and strictly control risks associated with loans to these high-risk industries, the Bank carefully manages the size of its loans to these industries. If the PRC government introduces policies which further restrict the development of these industries and/or these industries otherwise experience a deterioration in their operations, such changes may adversely affect the quality of the Bank's loans to these industries.

In addition, the Bank is exposed to the real estate market in China through, in particular, residential mortgage loans and other loans secured by real property collateral. As at 30 June 2025, the Bank's residential mortgage loans represented 53.0 per cent. of its domestic retail loans outstanding. The PRC government has imposed and may continue to impose macroeconomic control measures aimed at cooling down the real estate market. Such measures may adversely affect the growth and quality of the Bank's loans to the real estate industry and the Bank's residential mortgage loans. On the other hand, a downturn in the PRC's real estate market may materially and adversely affect the quality of the Bank's existing loans and its ability to generate new loans, which in turn could have a material adverse effect on the Bank's asset quality, financial condition and results of operations.

As at 30 June 2025, the Bank's loans to its top ten customers totalled CNY662.9 billion, which represented 2.3 per cent. of its total loan portfolio. If any of the performing loans to the top ten customers deteriorates or becomes non-performing, the Bank's asset quality, financial condition and results of operations may be materially and adversely affected.

Furthermore, the Bank also provides loans to SMEs and agriculture-related industries and customers. The loans to SMEs and agriculture-related industries and customers are, compared to its other loans, generally more vulnerable to the adverse impact of certain factors such as natural disasters, regulatory changes and economic slowdown. In addition, these enterprises may not be able to provide reliable information necessary for the Bank to assess the credit risks involved. In the absence of accurate assessment of the relevant credit risks, the non-performing loans of the Bank may be significantly increased if its SME clients are affected by major economic crisis or regulatory changes. As a result, this may have an impact on the Bank's overall risk profile and quality of the loan portfolio, which could in turn materially and adversely affect its business, financial condition and results of operations. Separately, there can be no assurance that the policies, laws and regulations governing the PRC banking industry, in particular, those relating to lending to SMEs (e.g. incentive policies to encourage lending to SMEs), will not change in the future or that any such changes will not materially and adversely affect the Bank's business, financial condition and results of operations. The Bank adopted a number of measures to manage these risks, such as imposing stricter requirements on approving credit applications and charging higher interest rates, but there can be no certainty that these measures will effectively reduce or eliminate the risks relating to such industries or customers. If the Bank's loans to SMEs and agriculture-related industries and customers deteriorate, its asset quality, financial condition and results of operations may be materially and adversely affected.

If the Bank is unable to effectively maintain the quality of its loan portfolio, its financial condition and results of operations may be materially and adversely affected.

As at 31 December 2022, 2023 and 2024 and 30 June 2025, the Bank's non-performing loan ratio was 1.4 per cent., 1.3 per cent., 1.3 per cent. and 1.28 per cent., respectively and as at the same dates, the Bank's non-performing loans amounted to CNY271.1 billion, CNY300.8 billion, CNY322.2 billion and CNY341.3 billion, respectively. There can be no assurance that the Bank will be able to maintain or lower its current non-performing loan ratio in the future or that the quality of its existing or future loans and advances to customers will not deteriorate.

The quality of the Bank's loan portfolio may deteriorate in the future due to various reasons, including factors beyond the Bank's control, such as restructuring of the PRC economy, PRC government's initiative to tackle overcapacity in certain industries, a slowdown in the PRC or global economies, a relapse of the global credit crisis, adverse macroeconomic trends in China and other parts of the world and the occurrence of natural disasters and outbreaks of contagious diseases, all of which could impair the ability of the Bank's borrowers to service their outstanding debt. Inflation in China may cause rising costs and negatively impact the profitability of the Bank's corporate customers, which in turn may lead to significant increases in the Bank's allowance made for impaired loans. The actual or perceived deterioration in creditworthiness of counterparties, declines in residential and commercial property prices and resulting reduction in collateral values, higher unemployment rates and reduced profitability of corporate borrowers may also cause the Bank's asset quality to deteriorate and may lead to significant increases in allowance made for impaired loans. If the Bank's non-performing loans or the allowance made for impaired loans increase in the future, the results of its operations and financial condition may be materially and adversely affected. In addition, the sustainability of the Bank's growth also depends largely on its ability to effectively manage its credit risk and maintain or improve the quality of its loan portfolio. The Bank seeks to continuously improve its credit risk management policies, procedures and systems. However, there can be no certainty that the Bank's credit risk management policies, procedures and systems are effective or free from deficiency. Failure of the Bank's credit risk management policies, procedures and systems may result in an increase in its non-performing loans and adversely affect the quality of its loan portfolio.

The Bank's allowance for impairment losses may not be sufficient to cover the actual losses on its loan portfolio in the future.

As at 31 December 2022, 2023 and 2024 and 30 June 2025, the Bank's allowance for impairment losses on loans was CNY782.9 billion, CNY882.9 billion, CNY929.2 billion and CNY965.1 billion, respectively. For the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025, the ratio of its allowance for impairment losses to total loans was 4.2 per cent., 4.1 per cent., 3.9 per cent. and 3.8 per cent., respectively and the ratio of its allowance for impairment losses to non-performing loans was 302.6 per cent., 303.9 per cent., 299.6 per cent. and 295.0 per cent., respectively. The allowance is based on the Bank's current assessment of, and expectations concerning, various factors affecting the quality of its loan portfolio. These factors include, among other things, borrowers' financial condition, repayment ability and repayment intention, the realisable value of any collateral, the ability of the guarantors of the borrowers to fulfil their obligations and the implementation of the Bank's credit policies, as well as China's economy, macroeconomic policies, interest rates, exchange rates, and legal and regulatory environments. Many of

these factors are beyond the Bank's control, and therefore its assessment and expectations on these factors may differ from future developments. The adequacy of the Bank's allowance for impairment losses depends on the reliable application of its risk assessment system to estimate these potential losses, as well as its ability to accurately collect, process and analyse the relevant statistical data. If the Bank's assessment of, and expectations concerning, the factors that affect the quality of its loan portfolio differ from actual developments, if its assessment results prove to be inaccurate, or if its application of the assessment systems or its ability to collect relevant statistical data proves to be insufficient, the Bank's allowance for impairment losses may not be adequate to cover its actual losses and the Bank may need to make additional provisions for impairment losses, which may reduce its profit and therefore materially and adversely affect its asset quality, financial conditions and results of operations.

The collateral or guarantees securing the Bank's loans may not be sufficient, and the Bank may be unable to realise the full value of the collateral or guarantees in a timely manner or at all.

A significant portion of the Bank's loans is secured by collateral or guarantees. As at 30 June 2025, 33.8 per cent. and 9.4 per cent. of its total loans were secured by mortgages and pledges, respectively, and 12.8 per cent. of its total loans were secured by guarantees.

The pledged collateral securing the Bank's loans includes, among other things, bond or equity securities. The mortgages securing the Bank's loans primarily comprise real properties and other assets located in China. The value of the collateral securing its loans may significantly fluctuate or decline due to factors beyond the Bank's control, including macroeconomic factors affecting China. For example, a downturn in China's real estate market may result in a decline in the value of the real properties securing the Bank's loans to levels significantly below the outstanding principal and interest balances of such loans. Any decline in the value of such collateral may reduce the amounts the Bank can recover from such collateral and increase its impairment losses.

The Bank's policies require regular internal re-valuations of collateral. However, such policies may not be implemented in a timely manner and, as a result, it may not have updated valuation of such collateral, which may adversely affect the accuracy of the assessment of its loans secured by such collateral.

Some of the guarantees securing the Bank's loans were provided by the borrowers' affiliates. Such loans and advances are generally not backed by collateral or security interests other than guarantees. A significant deterioration in the financial condition of a guarantor could significantly decrease the amounts the Bank may recover under such guarantees. Moreover, guarantees are subject to the risk that a court or other judicial or government authorities may declare a guarantee to be invalid or otherwise decline or fail to enforce such guarantees. The Bank is therefore exposed to the risk that it may not be able to recover all or any part of the amounts guaranteed in respect of its loans.

In China, the procedures for liquidating or otherwise realising the value of collateral in the form of non-monetary assets may be protracted and it may be difficult to enforce claims in respect of such collateral. As a result, it may be difficult and time-consuming for the Bank to take control of or liquidate the collateral securing non-performing loans. For example, in accordance with Provisions of the Supreme People's Court on Seizing, Distraining and Freezing Property in Civil Enforcement by People's Courts (最高人民法院關於人民法院民

事執行中查封、扣押、凍結財產的規定) promulgated on 4 November 2004 and last revised on 29 December 2020, the PRC courts may seize residential premises necessary to the person subject to enforcement and his dependents for living, but may not auction or sell off such premises, or use them to offset debts. In addition, under certain circumstances, the Bank's rights to the collateral securing its loans may have lower priority than certain other rights. For example, according to the PRC Bankruptcy Law (中華人民共和國企業破產法), claims for the amount that a company in bankruptcy owed to its employees prior to 27 August 2006, including salaries, medical insurance claims and basic pension benefits, will have priority over the Bank's rights to the collateral, if not adequately provided for in accordance with liquidation proceedings.

The Bank's inability to realise the full value of the collateral and guarantees securing its loans on a timely basis may materially and adversely affect its asset quality, financial condition or results of operations.

The Bank's loan classification and provisioning policies may be different in certain respects from those applicable to banks in certain other countries or regions.

The Bank classifies its loans using a five-category loan classification system in accordance with the guidelines set forth by the PRC regulators. The five categories are normal, special mention, substandard, doubtful and loss. The Bank assesses its loans for impairment, determines a level of allowance for impairment losses and recognises any related provisions made in a year using the five-category classification system. It performs such assessment, determination and recognition using the concept of impairment under IAS 39. For its corporate loans classified as substandard or lower, it makes an assessment of the impairment allowance on an individual loan basis. For the performing corporate loans and for all of the retail loans, it makes a collective assessment based on its historical loan loss experience. The Bank's loan classification and impairment provisioning policies may be different in certain respects from those of banks incorporated in certain other countries or regions. As a result, the Bank's loan classification as well as its allowance for impairment losses may differ from those reported by international banks incorporated in those countries or regions.

If the Bank does not maintain the growth of its loan portfolio, its business operations and financial condition may be materially and adversely affected.

The Bank's loans and advances to customers, net of loan loss allowance, have grown significantly in the past few years, increasing to CNY25,764.0 billion as at 30 June 2025 from CNY23,977.0 billion as at 31 December 2024 and CNY21,731.8 billion as at 31 December 2023. The growth of its loan portfolio may be affected by various factors, such as China's macroeconomic policies and capital constraints. Since 2014, the growth rate of the Bank's total loan portfolio has maintained a relatively steady pace. There can be no assurance that the growth rate of the Bank's loan portfolio will be maintained in the future, it may slow down or even decline. In addition, in response to the constraints from the amount of its regulatory capital, the Bank may adopt strategies to reduce its reliance on its loan portfolio and expand its activities in other businesses that require relatively lower capital. Any of the foregoing factors could impact the growth of its loan portfolio and thereby materially and adversely affect its business, business prospects, financial condition and results of operations.

Deterioration in the debt repayment abilities of local government financing vehicles of which the Bank has extended loans to, may materially and adversely affect the Bank's asset quality, financial condition and results of operations.

Loans extended to local government financing vehicles have been a part of the loan portfolio of China's commercial banks. According to the NFRA, local government financing vehicles consist primarily of government-led vehicles and vehicles whose shares are controlled by the government. These vehicles primarily engage in financing activities wholly or partially supported by the direct or indirect repayment commitments or direct or indirect guarantees from local governments, to provide support to various infrastructure development and quasi-public interest government investment projects. The Bank extends loans primarily to local government financing vehicles for transportation and urban development as well as those vehicles relating to land reserve centres, economic development zones, industry parks or state asset management companies. Within China's administrative division system, the recipients of these loans generally rank at or above the district city level. The Bank targets its loans to local government financing vehicles mainly to China's economically developed areas, including the Yangtze River Delta, Pearl River Delta and Bohai Rim regions. The majority of its loans to local government financing vehicles are backed by mortgages, pledges or guarantees and have remaining maturities of five years or less.

The State Council, the NFRA and the PBOC, along with several other PRC regulatory authorities promulgated a series of notices, guidelines and other regulatory documents to direct PRC banks and other financial institutions to optimise and strengthen their risk management measures regarding their loans to local government financing vehicles with the aim of reinforcing the risk management of loans to local government financing vehicles. While the Bank has taken various measures to reduce the risks of default such as setting clear thresholds for its loans to local government financing vehicles and enhancing the mortgages and guarantees on such loans, unfavourable developments in macroeconomic conditions, adverse changes to state policies, adverse changes to the financial condition of local governments or other factors may adversely affect the debt repayment ability of these financing vehicles, which may in turn materially and adversely affect the Bank's asset quality, financial condition and results of operations.

The PRC government shall under no circumstances have any obligation arising out of or in connection with the Notes, which is solely to be fulfilled by the Issuer.

The Issuer is not part of the PRC government. The PRC government is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Notes. This position has been reinforced by the Circular of the Ministry of Finance on Issues relevant to the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知，財金[2018]23號) (the "**MOF Circular**") promulgated on 28 March 2018 and took effect on the same day, and the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知) (the "**Joint Circular**") promulgated on 11 May 2018 and took effect on the same day. The description of the relationships between the

Issuer and the PRC government in this Offering Circular does not imply in any way any explicit or implicit credit support of the PRC government in respect of the Notes, the repayment of which remains the sole responsibilities of the Issuer.

The PRC government does not have any payment obligations under the Notes or the transaction documents in relation to the Notes. The Notes are solely to be repaid by the Issuer as an obligor under the relevant transaction documents and as an independent legal person. The Noteholders do not have any recourse against the PRC government in respect of any obligation arising out of or in connection with the Notes or the transaction documents. Any ownership or control by the PRC government does not necessarily correlate to, or provide any assurance as to, the Issuer's, the Bank's and the Group's financial condition.

RISKS RELATING TO THE BANK'S BUSINESS

Uncertainties and instability in global market conditions could adversely affect the Bank's business, financial condition and results of operations.

The Bank has been, and in the future will continue to be, materially affected by geo-political, economic and market conditions, including factors such as the liquidity of the global financial markets, the level and volatility of debt and equity prices, interest rates, currency and commodities prices, investor sentiment, inflation, and the availability and cost of capital and credit. Emerging from the peak of the global financial crisis, some countries started to withdraw the stimulus packages previously executed and implemented more moderate monetary policies. Currently, the employment, credit and property market conditions of developed economies are still unstable and this is further exacerbated by the political instability around the world.

The outlook for the world economy and financial markets remains uncertain. The escalating tensions between the PRC and the United States, including ongoing trade disputes and deterioration in diplomatic relations, the delisting of Chinese companies listed on the United States stock exchanges and the recent export controls promulgated by the United States on specific high-end technology, have contributed to increased market volatility, weakened consumer confidence and diminished expectations for economic growth around the world. Some of these tensions have manifested themselves through actions taken and sanctions imposed by the governments of the United States and the PRC from 2020 onwards. The United States has imposed a range of sanctions and trade restrictions on Chinese persons and companies, focusing on entities the United States believes are involved in human rights violations, information technology and communications equipment and services, and military activities, among others. In response, the PRC has announced a number of sanctions and trade restrictions that target or provide authority to target foreign officials and companies, including those in the United States. Heightened geopolitical tensions between the United States and the PRC continue to cause significant uncertainty in the global macroeconomy. The ongoing trade dispute between the PRC and the United States, the increase in tariffs that the United States plans to impose on Chinese imports and the restrictions, prohibitions and other similar regulatory measures announced by the United States have contributed to increased market volatility, weakened consumer confidence and diminished expectations for economic growth around the world. Furthermore, global economic fluctuations have also had significant impacts on the global economy and on the Bank. First, a rise in global trade protectionism will negatively impact the trade-dependent economies in Asia. Second, the interplay of U.S. fiscal and

monetary policies, and aggressive quantitative easing programmes in Japan may lead to more volatile global capital flows, which could in turn impact global growth. Third, in the United Kingdom ("**UK**") a remain-or-leave referendum on its membership within the European Union ("**EU**") was held in June 2016, the result of which favoured the exit of the UK from the EU ("**Brexit**"). On 31 January 2020, the UK officially exited the EU following a UK-EU Withdrawal Agreement signed in October 2019. The UK and the EU signed the Brexit trade deal on 30 December 2020 and the UK completed its separation from the EU with effect from 1 January 2021. While the UK and the EU had reached the trade deal, the effect of Brexit remains uncertain, and Brexit has and may continue to create negative economic impact and increase volatility in the global market. These could include falls in stock exchange indices, a fall in the value of the key trading currencies such as the Euro and/or greater volatility of markets in general due to the increased uncertainty. In addition, the market volatility resulting from these uncertainties may be further complicated by recent events such as the energy crisis in the UK resulting from soaring gas prices in light of the military conflict between Russia and Ukraine, as well as the introduction of the mini-budget (also known as The Growth Plan) by the UK government most recently in October 2022 against a backdrop of a cost-of-living crisis with inflation at high levels. Fourth, the recent military conflict between Russia and Ukraine since late February 2022 has continued to elevate geopolitical instabilities and led to disruption and volatility in global markets and industries and could adversely impact macroeconomic conditions, give rise to regional instability. For example, the war has contributed to a sharp rise in the price of energy and non-energy commodities, which had already been affected by the impact of the COVID-19 pandemic and later localised COVID-19 outbreaks. The steep rise in inflation engendered by the rise in commodity prices, and by the previous monetary and fiscal policy loosening in response to the COVID-19 pandemic has prompted global central banks to raise their policy rates sharply in recent months, with the potential for further increases to come, which may create further challenges for the Bank's customers. The United States, the UK and other governments and jurisdictions have imposed severe economic sanctions and export controls against Russia and Russian interests, have removed Russia from the SWIFT system, and have threatened additional sanctions and controls, which have adversely affected the global markets. Fifth, financial market volatility, movements in exchange rates and interest rates, increased levels of inflation and increased uncertainty may have a broader global economic impact that may in turn have a material adverse effect on the Bank's business, financial condition and results of operations. To the extent uncertainty regarding the economic outlook negatively impacts consumer confidence and consumer credit factors globally, the Bank's business and results of operations could likewise be significantly and adversely affected.

Investors should be aware that there is a recent history of financial crises and boom-bust cycles in multiple markets in both emerging and developed economies which leads to risks for all financial institutions, including the Bank. In addition, the Bank remains subject to the risks posed by the indirect economic effect of the global credit crisis, some of which cannot be anticipated and the vast majority of which are not under its control. The Bank also remains subject to counterparty risk arising from financial institutions that can fail or are otherwise unable to meet their obligations under their contractual commitment to the Bank. If there is another global or regional financial crisis or a downturn in the economic condition of the Bank's primary markets, this would likely have a material adverse effect on the Bank business, financial condition and results of operations.

The Bank faces certain risks relating to its recently implemented operational reform initiatives.

The Bank continues to develop and implement a number of operational reform initiatives in an effort to become more competitive and customer-oriented, including those relating to re-engineering its business process and organisational structure. For example, (i) the Bank has revamped its corporate banking products and services, targeting growth in value-added products and services such as asset management, bancassurance and investment banking business; (ii) it has prioritised the development of retail banking business, through implementing operational reform of branch outlets, streamlining business procedures and increasing investments in the distribution channels and IT system; and (iii) it has focused on product innovations in order to achieve greater customer satisfaction. In addition, the Bank intends to accelerate the integration between industries and the internet and further the development of internet finance.

Although the Bank's operational reform initiatives have contributed to its financial results in recent years, it may face certain risks relating to the implementation of these initiatives and there can be no assurance that the Bank will be able to achieve the results it expects in the future due to a number of factors, including:

- it may not have sufficient experience or expertise to successfully manage and continue implementing these operational reform initiatives;

- it may not have sufficient and effective management systems and information technology systems to support the implementation of these operational reform initiatives according to its contemplated schedule or at all; and

- changes in government policies or banking regulations may adversely affect the schedule for implementing, or the Bank's ability to implement, these operational reform initiatives.

If the Bank does not successfully implement all or any of these reform initiatives or, if implemented, these initiatives do not achieve the intended benefits within schedule or at all, the Bank's business, results of operations and financial condition may be adversely affected.

Moreover, these operational reform initiatives may expose the Bank to additional risks. Accordingly, if it is unable to manage risks associated with its initiatives to transform its business, the Bank's business prospects, financial condition and results of operations could be adversely and materially affected.

The Bank's focus on the growth of its County Area Banking Business and its related initiatives expose it to increased risks that may materially and adversely affect its business.

The County Area Banking Business is an important component of the Bank's business. Its initiatives in the County Areas are designed to further increase the penetration of its products and services into these areas. Historically, the County Area Banking Business has generally presented relatively higher risks and lower returns than the banking business in the Urban Areas. The Bank's significant banking portfolio and initiatives in the County Areas expose it to higher risks, including: (i) risks that its provisions for impairment losses on loans may be higher than anticipated due to the limited financial capacity of its customers in the County Areas or otherwise; (ii) revenues from its County Area Banking

Business may be lower than anticipated; (iii) if the actual development of the County Area banking market differs from its anticipation, the Bank may not be able to derive the return as anticipated from its increased allocation of resources to its County Area Banking Business; (iv) natural disasters and global climate changes may adversely affect the business operations and financial condition of certain of its customers who may not be able to service their obligations owed to the Bank; and (v) the Bank's extensive branch network in the vast County Areas may present challenges to its operations. The Bank's growing County Area Banking Business presents an increased challenge to its management skills, risk control capabilities and information technology systems. If any of the Bank's initiatives in respect of the County Area Banking Business do not achieve the results anticipated, its County Area Banking Business, its overall business, results of operations and financial condition may be materially and adversely impacted.

Furthermore, certain governmental policies and guidelines relating to the Bank's County Area Banking Business impose constraints on its operations. For example, on 15 December 2017, the NFRA issued the Measures for Supervision and Administration of Agricultural Bank of China's County Area Banking Division (農業銀行三農金融事業部監督管理辦法) (the "**County Area Banking Division Measures**"), which replaced and superseded the Guideline to Agricultural Bank of China's County Area Banking Division Reform and Regulations (中國農業銀行三農金融事業部制改革與監管指引) promulgated on 23 April 2009. The County Area Banking Division Measures, has imposed requirements on the Bank's County Area Banking Business, including its organisational structure, operation mechanism and performance review. The Bank's efforts to comply with the requirements of the Guideline may affect its business strategies, as well as its ability to optimise resource allocation and customer selection, which may adversely affect its profitability in the near- and medium-term. In the past, there have been instances where the ratios of the Bank's assets and liabilities in its County Area Banking Business to its total assets and liabilities and its cost-to-income ratio in the County Area Banking Business did not meet the requirements of the Guideline. Although the Bank has not been subject to any regulatory actions for such non-compliance, there can be no certainty that it will not be subject to any regulatory actions in the future for its past non-compliance. In addition, it cannot assure investors that it will be able to meet all regulatory requirements relating to its County Area Banking Business, including the requirements of the Guideline, in the future due to changes to these requirements or otherwise, or that it will not be subject to sanctions as a result. If any of the above circumstances occurs, the reputation, business, results of operations and financial condition of the Bank may be materially and adversely affected.

If the Bank is not effective in implementing enhanced risk management and internal control policies and procedures and introducing certain information technology systems to assist with its risk management and internal control, its business and prospects may be materially and adversely affected.

The Bank has in the past suffered from credit-quality problems, lapses in credit approval and control processes, internal control deficiencies and operational problems as a result of weaknesses in its risk management controls. The Bank has significantly enhanced its risk management and internal control policies and procedures in recent years in an effort to improve its risk management capabilities and enhance its internal control. However, there can be no certainty that the Bank's risk management and internal control policies and procedures will adequately control, or protect it against, all credit and other risks. Some of these risks are yet to be identified by the Bank, and may be unforeseeable or higher than what it originally expected or the historical level. In addition, given the short history of

certain aspects of its risk management and internal control policies and procedures, the Bank will require additional time to implement these policies and procedures and fully measure the impact of, and evaluate compliance with, these policies and procedures. Moreover, the Bank's staff will require time to adjust to these policies and procedures and it cannot assure investors that its employees will be able to consistently comply with or correctly apply these policies and procedures.

The Bank's risk management capabilities are limited by the information, tools or technologies available to it. For example, it may not be able to effectively monitor credit risk due to limited information resources or tools. In recent years, the Bank has introduced or refined certain risk management tools and systems to assist it in better managing risks, including the internal credit rating system, the assets and liabilities management system, the internal funds transfer pricing system, the treasury trading and risk management system and the Bank's credit management system. These systems aim at enhancing the Bank's ability to use quantitative measures to manage risks. However, its ability to operate such systems and to monitor and analyse the effectiveness of such systems is still subject to continuous testing. The Bank is also still in the process of further developing information systems to manage certain aspects of risk management, such as automated systems for the collection of certain information relating to connected party transactions and group lending.

If the Bank is not effective in improving its risk management and internal control policies, procedures and systems, or if the intended results of such policies, procedures or systems are not achieved in a timely manner, its asset quality, business, financial condition and results of operations may be materially and adversely affected.

The Bank's expanding range of products, services and business activities exposes it to new risks.

The Bank has been increasing its product development efforts and expanding its range of products and services to meet the needs of its customers and to enhance its competitiveness.

The expansion of its business activities exposes the Bank to a number of risks and challenges, including:

- insufficient experience or expertise in certain new products and services, which may prevent it from effectively competing in these areas;
- imitation or replication of its new products and services by its competitors;
- failure of its new products and services to be accepted by its customers or meet the expected targets;
- inability to hire additional qualified personnel or to hire personnel on commercially reasonable terms;
- insufficient financial, operational, management and other human resources to support its expanded range of products and services;
- inability to obtain regulatory approvals for its new products or services; and

- unsuccessful attempts to enhance its risk management and internal control capabilities and information technology systems to support a broader range of products and services.

If the Bank is not able to successfully expand into or develop new products, services and related business areas due to these risks or to achieve the intended results with respect to such new products and services, its business, financial condition and results of operations may be materially and adversely affected.

The Bank may face difficulties in meeting regulatory requirements relating to capital adequacy.

Under the Capital Rules for Commercial Banks (Provisional) and the Capital Rules for Commercial Banks (as applicable), the Bank's minimum common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio are 5 per cent., 6 per cent. and 8 per cent., respectively. As at 31 December 2022, 2023 and 2024 and 30 June 2025, the Bank's consolidated capital adequacy ratios were 17.2 per cent., 17.1 per cent., 18.2 per cent. and 17.5 per cent., respectively. In accordance with the Capital Rules for Commercial Banks (Provisional), the common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 11.1 per cent., 13.0 per cent. and 17.5 per cent., respectively, as at 30 June 2025. Although these capital adequacy ratios were in compliance with the applicable PRC requirements, certain developments could affect the Bank's ability to satisfy applicable capital adequacy requirements in the future.

In recent years, NFRA has issued several regulations and guidelines governing capital adequacy requirements applicable to commercial banks in the PRC. Currently, NFRA is actively pushing forward the implementation of Basel III. In April 2011, NFRA promulgated the Guideline Concerning the Implementation of New Regulatory Standards for the PRC Banking Industry (關於中國銀行業實施新監管標準的指導意見) to clarify the direction for future regulations and the requirement for prudent regulatory requirements. On 7 June 2012, the NFRA promulgated the Administrative Measures for the Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)), which came into effect on 1 January 2013 and has been replaced by the Administrative Measures for the Capital of Commercial Banks (商業銀行資本管理辦法) on 1 January 2024. The Administrative Measures for the Capital of Commercial Banks clarified and refined the categorisations and methods of measurement in respect of the capital instruments of commercial banks. According to the Administrative Measures for the Capital of Commercial Banks, the regulatory requirements on the capital adequacy ratio of commercial banks shall cover the requirements on the minimum capital, reserve capital and counter-cyclical capital, additional capital for systemically important banks, as well as second pillar capital. Commercial banks shall reach the regulatory requirements on the capital, while systematically important banks (including the Bank) shall also comply with the regulatory requirements on additional capital. Furthermore, the Financial Stability Board identified the Bank as a globally systemically important bank ("**G-SIB**") in 2014. As a G-SIB, the Bank is required to satisfy heightened capital adequacy ratios pursuant to Basel III. Given the requirement of capital adequacy ratio under the Administrative Measures for the Capital of Commercial Banks and the additional requirements due to its G-SIB status, the Bank's capital adequacy may be substantially affected. In addition, on 2 December 2020, PBOC and NFRA released the Assessment Measures for Systematically Important Banks (系統重要性銀行評估辦法) (the "**D-SIB Assessment Measures**"). According to the D-SIB Assessment Measures, domestic banks with asset balance ranked

within top 30 in China will be assessed to determine whether they are to be designated as domestic systemically important banks ("**D-SIB**"). On 9 September 2022, PBOC published the latest list of D-SIBs (the "**D-SIB List**"), which comprised six state-owned banks, nine joint stock commercial banks and four city commercial banks. The Bank was designated in Group Four of the D-SIB List and is required to strengthen its risk prevention and absorption capacity, such as those proposed under the Ancillary Regulatory Provision for Systematically Important Banks (Trial) (系統重要性銀行附加監管規定(試)) and the Administrative Measures on Total Loss-Absorbing Capacity of Global Systemically Important Banks (全球系統重要性銀行總損失吸收能力管理辦法), both of which came into force from 1 December 2021.

Although the Bank is currently in compliance with the requirement for capital adequacy, new requirements and regulations may adversely affect the Bank's compliance with capital adequacy ratios, and it is possible that the Bank may face difficulties in meeting the requirement of the regulations regarding capital adequacy and that new requirements and regulations will also affect the Bank's funding needs.

In addition, some regulatory developments may affect the Bank's ability to continually comply with capital adequacy requirements, including the raising of minimum capital adequacy ratios by NFRA and the changes in calculations of capital adequacy ratios by NFRA. If any of these circumstances occurs, the Bank may be unable to comply with the regulatory requirements of NFRA.

There can be no assurance that the Bank will be able to meet these requirements in the future at all times and any failure to meet these requirements may have a material and adverse effect on the Bank's business, financial condition and results of operations.

In order to support its steady growth and development, the Bank may need to raise more capital to ensure that its capital complies with or exceeds the minimum regulatory requirement. In its future plans to raise capital, the Bank may sell any share securities that can contribute towards core capital or any debt securities that can contribute towards supplementary capital. The Bank's capital-raising ability may be restricted by the Bank's future business, financial condition and results of operations, the Bank's credit rating, necessary regulatory approvals and overall market conditions, including Chinese and global economic, political and other conditions at the time of capital-raising.

The Bank is subject to various PRC and overseas regulatory requirements, and its failure to fully comply with such requirements, if any, could materially and adversely affect its business, reputation, financial condition and results of operations. Any misconduct, negligence, or breach of law or regulations by the officers and employees of the Bank or its branches may also lead to regulatory penalties and adversely impact its operations.

The Bank is subject to the regulatory requirements and guidelines set forth by the PRC regulatory authorities, including the MOF, PBOC, NFRA, CSRC, CIRC, SAT, NAO, SAIC and SAFE and their local counterparts where it operates. Additionally, its overseas operation is subject to inspection and supervision of overseas regulatory authorities in jurisdictions where it operates. The Bank, its branches, subsidiaries and representative offices must follow local jurisdiction laws, regulations and the regulatory requirements.

These regulatory authorities carry out periodic supervision, spot checks, examinations and inquiries in respect of the Bank's compliance with laws, regulations and guidelines. On occasion, the Bank has failed to meet certain requirements and guidelines set by the PRC regulatory authorities, or it or its officer or employee was found to have violated certain laws and regulations. In addition, the Bank or certain branches have in the past been subject to fines and other penalties for cases of its non-compliance. Certain officers and employees of the Bank or its branches have also faced regulatory penalties due to misconduct, negligence or non-compliance. Please refer to the risk factor titled "*Risk Factors — Risks relating to the Bank's business — The Bank may not be able to detect and prevent fraud or other misconduct committed by its officers, employees or third parties*." for further information. There can be no assurance that it will be able to meet all the applicable regulatory requirements and guidelines, or comply with all applicable regulations at all times, prevent instances of misconduct by its personnel that could result in sanctions or penalties, or that it will not be subject to sanctions, fines or other penalties in the future as a result of non-compliance. If sanctions, fines and other penalties are imposed on the Bank or its personnel for failing to comply with applicable requirements, guidelines or regulations, the business, reputation, financial condition and results of operations of the Bank may be materially and adversely affected.

The Bank may not be able to detect and prevent fraud or other misconduct committed by its officers, employees or third parties.

Fraud and other misconduct by officers, employees or third parties may be difficult to detect and prevent and could subject the Bank to financial losses and sanctions imposed by governmental authorities as well as seriously harm its reputation. Types of misconduct by the Bank's officers or employees in the past have included, among other things, improper extension of credit, unauthorised business transactions, business practices that are in breach of the Bank's internal policies and procedures, inappropriate accounting treatment, theft, embezzlement or misappropriation of customer funds, fraud, and bribery.

Types of possible misconduct by third parties against the Bank may include, among other things, fraud, theft and robbery. Types and incidents of fraud and other misconduct by employees or third parties against the Bank may go beyond those detected in the past. In addition, the Bank's employees may commit errors or take improper actions that could subject the Bank to financial claims as well as regulatory actions. As at 30 June 2025, the Bank had 22,914 domestic branch outlets, with a total of 445,110 employees. There can be no certainty that all of the employees of the Bank will comply with its risk management and internal control policies and procedures.

Although the Bank has continuously sought to enhance management and supervision of its branches and/or branches' officers (including putting in place policies on employee conduct), as the branches have certain levels of autonomy in their operations and management within the scope of authorisation, the Bank cannot assure that it can always timely detect or prevent operational or management problems within its branches and/or such branches' officers. There can be no certainty that fraud or other misconduct, whether involving past acts that have gone undetected or future acts, will not have a material adverse effect on the reputation, results of operations and business prospects of the Bank, or that all of the officers or employees of the Bank will comply with its risk management and internal control policies and procedures.

The Bank may be subject to penalties and other adverse consequences should it be determined that transactions in which it participates violate U.S. or other sanctions.

U.S. law generally prohibits U.S. persons from directly or indirectly investing or otherwise doing business in or with certain countries (such as the Crimea region, Burma/Myanmar, Cuba, Iran, North Korea, Sudan and Syria and others) and with certain persons or businesses that have been specially designated by the OFAC or other U.S. government agencies. Other governments and international or regional organisations also administer similar economic sanctions.

While the Bank does not believe that it is in violation of any applicable sanctions and the proceeds of the issue of the Notes is not intended to be used in violation of sanctions, if it were determined that transactions in which it participates violate U.S. or other sanctions, it could be subject to U.S. or other penalties, and its reputation and future business prospects in the United States or with U.S. persons, or in other jurisdictions, could be adversely affected.

If the Bank fails to maintain the growth rate of its customer deposits or if there is a significant decrease in customer deposits, its business operations and liquidity may be materially and adversely affected.

Customer deposits are the Bank's primary source of funding. From 31 December 2022 to 30 June 2025, the Bank's balance of deposits grew from CNY 25,121.0 billion to CNY31,900.5 billion, and its domestic retail deposits grew from CNY14,977.8 billion to CNY20,146.3 billion respectively. However, many factors affect the growth of deposits, some of which are beyond the Bank's control, such as economic and political conditions, availability of investment alternatives and retail customers' changing perceptions toward savings. For example, with the continuing development of China's capital markets, customers of the Bank may reduce their deposits and increase their investment in securities for a higher return.

If the Bank fails to maintain the growth rate in its deposits or if a substantial portion of its depositors withdraw their deposits or do not roll over their time deposits upon maturity, the Bank's liquidity position, financial condition and results of operations may be materially and adversely affected. In such event, the Bank may need to seek more expensive sources of funding and there can be no assurance that it will be able to obtain additional funding on commercially reasonable terms as and when required. The Bank's ability to raise additional funds may be impaired by factors over which it has little or no control, such as deteriorating market conditions, severe disruptions in the financial markets, or negative outlooks for the industries to which it has significant credit exposure.

The business of the Bank is highly dependent on the proper functioning and improvement of its information technology systems.

The Bank depends on its information technology systems to process transactions on an accurate and timely basis, and to store and process its business and operating data. The proper functioning of the Bank's financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between its branches and main data processing centres, is critical to its business and ability to compete effectively. The Bank's disaster recovery testing centre in Beijing provides backup for its shanghai data centre and could be used in

the event of a catastrophe or a failure of its core production system. The Bank is in the process of establishing a backup data centre in Beijing, which is designed to further enhance its backup and disaster recovery capabilities. It has also established alternative communication networks where available. However, its business activities would be materially disrupted if there is a partial or complete failure of any of the information technology systems or communication networks. Such failure can be caused by a variety of factors, including natural disasters, extended power outages, breakdown of key hardware systems and computer viruses. The proper functioning of the information technology systems of the Bank also depends on accurate and reliable data input and other sub-system installation, which are subject to human errors. Any failure or delay in recording or processing its transaction data could subject it to claims for losses and regulatory fines and penalties.

In particular, the secure transmission of confidential information is critical to the Bank's operations. Its networks and systems may be vulnerable to unauthorised access and other security problems. There can be no assurance that its existing security measures will prevent unforeseeable security breaches, including break-ins and viruses, or other disruptions such as those caused by defects in hardware or software and errors or misconduct of operators. Persons that circumvent the Bank's security measures could use the Bank's or its clients' confidential information wrongfully. Any material security breach or other disruption could expose the Bank to risk of loss and regulatory actions and harm its reputation.

The competitiveness of the Bank will to some extent depend on its ability to upgrade its information technology systems on a timely and cost-effective basis. In addition, the information available to and received by it through the existing information technology systems may not be timely or sufficient for the Bank to manage risks and prepare for, and respond to, market changes and other developments in the current operating environment. Any substantial failure to improve or upgrade the information technology systems effectively or on a timely basis could materially and adversely affect the competitiveness, results of operations and financial condition of the Bank.

The Bank is subject to credit risk with respect to certain off-balance sheet commitments.

In the normal course of its business, the Bank makes commitments which, under applicable accounting principles, are not reflected as liabilities on the balance sheet, including bank acceptances, loan commitments, guarantees and letters of credit to guarantee the performance of the customers. The Bank is subject to credit risk on its off-balance sheet commitments because these commitments may need to be fulfilled by it in certain circumstances. If the Bank is unable to recover payment from its customers in respect of the commitments that it is called upon to fulfil, the financial condition and results of operations of the Bank could be adversely affected.

The Bank does not possess the relevant land use right certificates or building ownership certificates for some of its properties, and it may be required to seek alternative premises for some of the offices or business sites due to its landlords' lack of relevant title certificates.

The Bank currently holds certain properties for which it does not have the relevant land use right certificates or building ownership certificates. The Bank is in the process of applying for the relevant land use rights and building ownership certificates that it has not yet obtained and it plans to cooperate closely with the local land and property management authorities to expedite such applications. The Bank has taken steps to rectify certain title

defects. However, it may not be able to obtain certificates for all of these properties due to title defects or for other reasons. There can be no assurance that the ownership rights of the Bank would not be adversely affected in respect of properties for which it is unable to obtain the relevant title certificates. If the Bank were forced to relocate any of the operations it conducts on the affected properties, it may incur additional costs as a result of such relocation.

In addition, the Bank leases certain properties from lessors who were not able to provide the title certificates or documents evidencing the authorisation or consent of the owners of such properties. As a result, such leases may be invalid. In addition, there can be no assurance that the Bank would be able to renew its leases on terms acceptable to the Bank upon their expiration. If any of the Bank's leases are terminated as a result of challenges by third parties or if the Bank fails to renew them upon expiration, it may be forced to relocate affected branches and sub-branches and incur additional costs associated therewith, and the business, financial condition and results of operations of the Bank may be adversely affected.

The Bank may not be able to detect money-laundering and other illegal or improper activities fully or on a timely basis, which could expose it to additional liability and harm its business or reputation.

The Bank is required to comply with applicable anti-money-laundering and anti-terrorism laws and other regulations in the PRC, Hong Kong, Singapore, the US and other jurisdictions where it has operations. These laws and regulations require it, among other things, to adopt and enforce "know-your-customer" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities in different jurisdictions. The Bank has in the past been subject to administrative fines and penalties imposed by regulatory agencies in the PRC for, among other things, incidents of non-compliance with the PRC anti-money-laundering rules, including, for example, failure to report large or suspicious transactions. In addition, following a cease and desist order issued in September 2016 where the Bank and the Bank's New York branch were ordered to submit written plans to improve its internal control and compliance functions, in November 2016, the Bank's New York branch agreed to pay a U.S.$215 million penalty in connection with violations of anti-money laundering laws and other relevant regulatory requirements in a consent order entered into by the Bank and its New York branch with the New York state regulator. Pursuant to the consent order, the Bank is required to take immediate steps to correct violations, including engaging an independent monitor reporting directly to the state regulator to implement effective anti-money laundering controls. While it has adopted policies and procedures aimed at detecting and preventing the use of its banking networks for money-laundering activities and by terrorists and terrorist-related organisations and individuals generally, such policies and procedures may not completely eliminate instances where it may be used by other parties to engage in money-laundering and other illegal or improper activities due to, in part, the short history of these policies and procedures. To the extent it may fail to fully comply with applicable laws and regulations, the relevant government agencies to whom the Bank reports have the power and authority to impose fines and other penalties on the Bank. In addition, the business and reputation of the Bank could suffer if customers use it for money-laundering or illegal or improper purposes.

The uncertainties in China's economy and financial markets could materially and adversely affect the financial condition and results of operations of the Bank.

After the peak of the global financial crisis, China started to withdraw its economic stimulus plan implemented during the financial crisis and returned to its normal policy direction. The PRC government imposed stricter control measures on the real estate market, regulated local government financing vehicles, cancelled export tax refund policies for certain commodities and restarted the reform of Renminbi exchange rate. The uncertainties in China's economy may adversely affect the Bank's financial condition and results of operations in many ways, including, among other things:

- during a period of economic slowdown, there is a greater likelihood that more of the Bank's customers or counterparties could become delinquent in respect of their loan repayments or other obligations to the Bank, which, in turn, could result in a higher level of non-performing loans, allowance for impairment losses and write-offs, all of which would adversely affect its results of operations and financial condition;

- the increased regulation and supervision of the financial services industry in response to the financial crisis in certain jurisdictions where the Bank operates may restrict its business flexibility and increase compliance costs, which may adversely affect its business operations;

- the value of the Bank's investments in the debt securities issued by overseas governments and financial institutions may significantly decline, which may adversely affect its financial condition; the Bank's ability to raise additional capital on favourable terms, or at all, could be adversely affected; and

- trade and capital flows may further contract as a result of protectionist measures being introduced in certain markets, which could cause a further slowdown in economies and adversely affect the Bank's business prospects.

There can be no assurance that China's economy or the global economy will maintain sustainable growth. If another economic downturn occurs, the business, results of operations and financial condition of the Bank could be materially and adversely affected.

The Bank may be involved in legal and other disputes from time to time arising out of its operations and may face potential liabilities as a result.

The Bank is often involved in legal and other disputes for a variety of reasons, which generally arise because it seeks to recover outstanding amounts from borrowers or because customers or other claimants bring actions against it. The majority of these cases arise in the ordinary course of the Bank's business. Where the Bank assesses that there is a probable risk of loss, it is the Bank's policy to make provisions for the loss. The Bank has made provisions with respect to pending legal proceedings and other disputes against it.

However, there can be no assurance that the judgments in any of the litigation in which the Bank is involved would be favourable to it or that the Bank's litigation provisions are adequate to cover the losses arising from legal proceedings or other disputes. In addition, if the Bank's assessment of the risk changes, its view on provisions will also change. It is expected that the Bank will continue to be involved in various legal and other disputes in the future, which may subject it to additional risks and losses. These disputes may relate to,

among others, the amount of the unpaid obligations of the relevant borrowers, the terms for such borrowers to perform their obligations and the application of statute of limitations. In addition, the Bank may have to advance legal costs associated with such disputes, including fees relating to appraisal, notarisation, auction, execution and legal counsel's services. These and other disputes may lead to legal, administrative or other proceedings and may result in damage to the reputation of the Bank, additional operational costs and a diversion of resources and management's attention from its core business operations. There can be no assurance that the outcome of future or current disputes or proceedings will not materially and adversely affect the business, reputation, financial condition and results of operations of the Bank.

The Bank is subject to counterparty risks in its derivative transactions.

The Bank acts primarily as an intermediary in domestic and international foreign exchange and derivative markets, and it currently has foreign currency forward and swap arrangements and interest rate swap arrangements with a number of domestic and international banks, other financial institutions and other entities. While the Bank believes that the overall credit quality of its counterparties is satisfactory, there can be no assurance that the Bank's counterparties with significant exposures will not face difficulty in paying the amounts on derivative contracts when due, which may result in financial losses to the Bank.

The Bank's majority shareholders have the ability to exercise significant influence over it.

As at 30 June 2025 the Bank's majority shareholders, the MOF and Huijin, own approximately 41.8 per cent. and 44.0 per cent., respectively, of its total issued shares as beneficial owners. In accordance with the Articles of Association and applicable laws and regulations, the MOF and Huijin together will have the ability to exercise a controlling influence over the business of the Bank, including matters relating to:

- the timing and amount of the distribution of dividends;
- the issuance of new securities;
- the election of the Bank's directors and supervisors;
- the Bank's business strategies and policies;
- any plans relating to mergers, acquisitions, joint ventures, investments or divestitures; and
- amendments to the Articles of Association.

The interests of the MOF and Huijin may conflict with the interests of the Bank. In addition, since the MOF is a ministry of the State Council and Huijin is a wholly state-owned limited liability company formed under the PRC law, they have strong interests in the successful implementation of the economic or fiscal policies enacted by the PRC government, which policies may not be in the best interest of the Bank.

The Bank has expanded its business in jurisdictions other than the PRC, which has increased the complexity of the risks that it faces.

In recent years, the Bank has taken actions to expand its operations outside mainland China. As at 30 June 2025, it had 13 overseas branches in Chinese Hong Kong, Singapore, Seoul, New York, Dubai International Financial Centre, Tokyo, Frankfurt, Sydney, Luxembourg, Dubai, London, Chinese Macao and Hanoi, as well as four representative offices in Vancouver, Chinese Taipei, Sao Paulo and Dushanbe.

The expansion into multiple jurisdictions outside of China exposes the Bank to a new variety of regulatory and business challenges and risks and has increased the complexity of risks in a number of areas, including currency risk, interest rate risk, regulatory and compliance risk, reputational risk and operational risk. Adverse market conditions in these overseas jurisdictions may result in mark-to-market and realised losses on the investment assets held by the overseas branches and increase their cost of funding. Furthermore, despite the Bank's best efforts to comply with all applicable regulations in all the jurisdictions in which it operates, there may be incidences of failure to comply with the regulations in certain jurisdictions. Overseas regulators may bring administrative or judicial proceedings against the Bank or its employees, representatives, agents and third party service providers, which could result, among other things, in suspension or revocation of one or more of its licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary actions. In addition, the regulatory changes in various jurisdictions, including those in which it has or plans to have operations could have an adverse impact on the Bank's growth, capital adequacy and profitability. If the Bank is unable to manage the risks resulting from its expansion outside mainland China, its business, reputation, financial condition and results of operations may be adversely affected.

Failure by the Bank to meet its environmental, social and governance ("ESG") or corporate social responsibility ("CSR") targets may have an adverse effect on the Bank's performance, reputation, business, financial condition and results of operations

The Bank takes its corporate social responsibilities seriously and seeks to serve the public, promote livelihoods, and become a low-carbon and environmentally friendly bank for sustainable development. In line with its philosophy, the Bank has issued several series of ESG related notes (the "**ESG Notes**") under the Programme. In addition, the Bank has also increased its credit supply in the area of green finance, to among others provide financial services for energy security and low-carbon transformation. In respect of the Bank's ESG Notes and green finance credit and loans, the Bank may have agreed to obligations relating to reporting and disclosure, environmental and social targets and specified use of proceeds. Furthermore, the Bank also publishes its CSR reports annually, which sets out the Bank's implementation strategies, targets and goals and proposed business processes and standards, with respect to ESG and CSR. Any failure by the Bank to meet any of the targets, strategies, goals, processes and standards mentioned above, or any failure by the Bank to satisfy investor or other stakeholder expectations or standards in the execution of its ESG strategies, may affect the value and/or trading of the ESG Notes, and more widely affect the Bank's current and future business performance, results of operations and reputation. These may in turn negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

In addition, the Bank is subject to a variety of risks, including reputational risk, associated with ESG matters. Adverse incidents with respect to ESG activities could impact the Bank's reputation and relationships with investors, all of which could adversely affect its business and results of operations. The Bank's expectations, estimates and aspirational statements regarding ESG matters, including the potential environmental impacts of its projects and initiatives, involve known and unknown risks, uncertainties and other factors beyond the Bank's control that could cause the actual results to be different from such expectations, estimates and aspirational statements. As a result, there can be no assurance that the Bank's ESG initiatives, including the use of proceeds from the Notes and any further issuances of green notes, will not be subject to heightened scrutiny or public commentary in the future. Such scrutiny or public commentary could adversely affect the Bank's reputation, business, financial condition and results of operations and, in particular, could create legal and reputational risks.

RISKS RELATING TO THE BANKING INDUSTRY IN CHINA

The Bank faces intense competition in China's banking industry as well as competition from alternative corporate financing and investment channels.

The Bank is facing competition from other commercial banks and financial institutions in both the Urban Areas and the County Areas. It competes primarily with other Large Commercial Banks, National Joint Stock Commercial Banks, city commercial banks and foreign banks in China.

Certain of these banks may have more established presence in certain areas and more financial, management and technology resources than the Bank does. In the County Areas, the Bank competes primarily with other Large Commercial Banks, rural credit cooperatives and the Postal Savings Bank of China. Some of these banks may have more simplified management structures and procedures in certain regions and areas. In recent years, the PRC government has gradually lowered the threshold for financial institutions to conduct business in the County Areas and strengthened the relevant financial and tax support, which, while the Bank believes will promote the development of the County Area financial market, will further intensify the competition among financial institutions in the County Areas.

Additionally, following the removal of regulatory restrictions on their geographical presence, customer base and operating license in China in December 2006 as part of China's WTO accession commitments, the Bank has experienced increased competition from foreign-invested commercial banks. Recently, a number of well-known foreign banks have expanded their presence in the County Areas. Furthermore, the Mainland and Hong Kong Closer Economic Partnership Arrangement the Mainland and Macau Closer Economic Partnership Arrangement and the Cross-Straits Economic Co-operation Framework Agreement which permit Hong Kong, Macau and Taiwan banks to operate in China, have also increased competition in China's banking industry.

Moreover, the PRC government has, in recent years, implemented a series of measures designed to further liberalise the banking industry, including, among others, with respect to interest rates and non-interest-based products and services, which are changing the basis on which the Bank competes with other banks for customers.

The Bank competes with many of its competitors for substantially the same loan, deposit and fee-based business customers. Such competition may adversely affect the Bank's business and future prospects by, for example:

- reducing its market share in its principal products and services;
- slowing down the growth of its loan or deposit portfolios and other products and services;
- decreasing its interest income or increasing its interest expenses, thereby reducing its net interest income;
- reducing its fee and commission income;
- increasing its non-interest expenses, such as marketing expenses;
- adversely affecting its asset quality; and
- increasing competition for senior management and qualified professional personnel.

The Bank may also face competition from direct corporate financing, such as the issuance of securities in the domestic and international capital markets. The domestic securities markets have experienced, and are expected to continue to experience, expansion and growth. If a substantial number of its customers choose alternative financing to fund their capital needs, the Bank's interest income, financial condition and results of operations may be adversely affected.

Moreover, the Bank may face competition from other forms of investment alternatives as the PRC capital markets continue to develop. As the PRC equity and bond markets continue to develop and become more viable and attractive investment alternatives, the Bank's deposit customers may elect to transfer their funds into equity and bond investments, which may reduce its deposit base and adversely affect its business, financial condition and results of operations.

The Bank's business and operations are highly regulated, and its business, financial condition, results of operations and future prospects may be materially and adversely affected by regulatory changes or other governmental policies, including their interpretation and application.

The Bank's business and operations are directly affected by changes in China's policies, laws and regulations relating to the banking industry, such as those affecting the extent to which it can engage in specific businesses, as well as changes in other governmental policies. Since its establishment as the primary banking industry regulator assuming the majority of the bank regulatory functions from the PBOC in 2003, the NFRA has promulgated a series of banking regulations and guidelines. The banking regulatory regime in China is currently undergoing significant changes, most of which are applicable to the Bank and may result in additional costs or restrictions on its activities. For instance, in March 2011, the NFRA, the PBOC and the NDRC jointly issued a notice stipulating the cancellation of 34 service fees classified under 11 categories of domestic commercial banks effective from 1 July 2011. In February 2014, the NDRC and the NFRA jointly issued Measures for the Administration of the Service Prices of Commercial Banks (the "**Measure**"). According to the Measure, the prices of basic banking services that are widely used by clients and have significant influence

on China's economic development shall be subject to the guidance or determination of the government. The NDRC and the NFRA also jointly issued a circular on Printing and Distributing the Catalogue of Government-guided and Government-determined Prices for Services Provided by Commercial Banks (the "**Catalogue**"). In July 2017, the NDRC and the NFRA jointly issued a notice on Cancelling and Suspending the Charges for Some Basic Financial Services Provided by Commercial Banks, which took effect on 1 August 2017.

According to the Catalogue, the prices of the basic financial services provided by commercial banks for bank clients shall be subject to the government guided-prices and government pricing. Such basic financial services include part of commercial banks' service items, such as wire transfer, remittance by cash, encashment and bills, and specific charge items and charging standards shall be subject to the Catalogue. There can be no assurance that the policies, laws and regulations governing the banking industry will not change in the future or that any such changes will not materially and adversely affect the Bank's business, financial condition and results of operations nor can the Bank assure investors that it will be able to adapt to all such changes on a timely basis. In addition, there may be uncertainties regarding the interpretation and application of new policies, laws and regulations. Failure to comply with the applicable policies, laws and regulations may result in fines and restrictions on the Bank's activities, which could also have a significant impact on its business, financial condition and results of operations.

On 11 January 2017, the PBOC issued the Circular of the People's Bank of China on the Macro-prudence Management of Cross-border Financing in Full Aperture (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) (the "**2017 PBOC Circular**"), which came into effect on 11 January 2017. The 2017 PBOC Circular established a mechanism aimed at regulating cross border financing activities conducted by domestic institutions, including domestic enterprises and financial institutions other than the governmental financing platforms and real estate enterprises, based on the capital or net assets of the borrowing entities. Pursuant to the 2017 PBOC Circular, the issuance of any notes is required to be filed with SAFE. However, neither PBOC nor SAFE has promulgated implementation rules of the 2017 PBOC Circular as at the date of this Offering Circular. The filing process for the aforesaid regulations and the interpretation and enforcement of the 2017 PBOC Circular thus involve substantial uncertainties due to its recent promulgation and publication.

The PRC regulators have implemented measures relating to lending to SMEs and the Group may be affected by future regulatory changes.

NFRA has promulgated a series of measures to encourage banking institutions to implement the PRC Government's macroeconomic policies, and, in particular, to proactively support continued healthy economic growth by increasing lending activities to SMEs while effectively controlling risk. However, SMEs are more vulnerable to fluctuation in the macro-economy as compared to large enterprises due to relatively limited capital, management or other resources required to cope with the adverse impact of major economic or regulatory changes. In addition, SMEs may not be able to provide reliable information necessary for the Bank to assess the credit risks involved. In the absence of accurate assessment of the relevant credit risks, the non-performing loans of the Bank may be significantly increased if its small and medium-sized enterprise clients are affected by economic or regulatory changes, which could materially and adversely affect the Group's business, results of operations and financial condition.

In addition, there can be no assurance that the policies, laws and regulations governing the PRC banking industry, in particular, those relating to lending to SMEs (e.g. incentive policies to encourage lending to SMEs), will not change in the future or that any such changes will not materially and adversely affect the Group's business, financial condition and results of operations.

The Bank is subject to changes in interest rates and other market risks, and the Bank's ability to hedge market risks is limited.

As with most commercial banks, the Bank's results of operations depend to a great extent on its net interest income. For the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025, the Bank's net interest income represented 84.8 per cent., 82.2 per cent., 81.6 per cent. and 76.4 per cent., respectively, of its operating income. Interest rates in China historically were highly regulated but have been gradually liberalised in recent years. The PBOC promulgated the Notice of Lowering the Renminbi Benchmark Lending and Deposit Rates for Financial Institution and Further Promoting the Interest Rate Liberation Reform on 23 October 2015, which removed the upper limits on the deposit interest rates for the commercial bank. There used to be restriction with respect to the lower limit of the interest rates for CNY-denominated deposits. However, PBOC promulgated the Notice on Further Promoting the Market-oriented Reform of Interest Rates on 19 July 2013, eliminating such restriction on CNY-denominated loans, except for residential mortgage loans. The PBOC may further liberalise the existing interest rate restrictions on CNY-denominated loans and deposits. If the existing regulations were substantially liberalised or eliminated, competition in China's banking industry would likely intensify as China's commercial banks seek to offer more attractive rates to customers. Further liberalisation by the PBOC would result in the narrowing of the spread in the average interest rates between CNY-denominated loans and CNY-denominated deposits, thereby materially and adversely affecting the Bank's results of operations. Furthermore, the Bank cannot assure investors that it will be able to adjust the composition of its asset and liability portfolios and its pricing mechanism to enable it to effectively respond to the further liberalisation of interest rates.

In recent years, the PBOC has adjusted the benchmark rates several times. Any adjustments by the PBOC in the benchmark interest rates on loans or deposits or changes in market interest rates may adversely affect the Bank's financial condition and results of operations in different ways.

For example, changes in the PBOC benchmark interest rates could affect the average yield on the Bank's interest-earning assets differently from the average cost on its interest-bearing liabilities and therefore may narrow its net interest margin and reduce its net interest income, which may materially and adversely affect its results of operations and financial condition. In addition, an increase in interest rates may result in increases in the finance costs of the Bank's customers and thus reduce overall demand for loans, and, accordingly, adversely affect the growth of the Bank's loan portfolio, as well as increase the risk of customer default. As a result, changes in interest rates may adversely affect the Bank's net interest income, financial condition and results of operations.

The Bank also undertakes trading and investment activities involving certain financial instruments both in China and abroad. The Bank's income from these activities is subject to volatilities caused by, among other things, changes in interest rates and foreign currency exchange rates. For example, increases in interest rates generally have an adverse effect on

the value of the Bank's fixed rate securities portfolio, which may materially and adversely affect its results of operations and financial condition. Furthermore, as the derivatives market has yet to mature in China, there are limited risk management tools available to enable the Bank to reduce market risks.

The growth rate of China's banking industry may not be sustainable.

The Bank expects the banking industry in China to continue to grow as a result of anticipated growth in China's economy, increases in household income, further social welfare reforms, demographic changes and the opening of China's banking industry to foreign participants. However, it is not clear how certain trends and events, such as the pace of China's economic growth, China's implementation of its commitment to WTO accession, the development of the domestic capital and insurance markets and the ongoing reform of the social welfare system will affect China's banking industry. In addition, there can be no assurance that the banking industry in China is free from systemic risks. Consequently, there can be no assurance that the growth and development of China's banking industry will be sustainable.

The effectiveness of the Bank's credit risk management is affected by the quality and scope of information available in China.

The information infrastructure in China is relatively undeveloped. PRC national individual and corporate credit information databases developed by the PBOC commenced operation in 2006.

However, due to their short operational history, they can only provide limited information. Therefore, the Bank's assessment of the credit risk associated with a particular customer may not be based on complete, accurate or reliable information. Until these nationwide credit information databases become more fully developed, the Bank has to rely on other publicly available resources and its internal resources, which are not as extensive nor as effective as a unified nationwide credit information system. As a result, the Bank's ability to effectively manage its credit risk and in turn, its asset quality, financial condition and results of operations may be materially and adversely affected.

The Bank cannot assure investors of the accuracy or comparability of facts, forecasts and statistics contained in this Offering Circular with respect to China, its national or County Area economies or its banking industry.

Facts, forecasts and statistics in this Offering Circular relating to China, its national or County Area economies and financial conditions and its banking industry, including the Bank's market share information, are derived from various sources which are generally believed to be reliable.

However, the Bank cannot guarantee the quality and reliability of such sources. In addition, these facts, forecasts and statistics have not been independently verified by the Bank and may not be consistent with the information available from other sources, and may not be complete or up to date. The Bank has taken reasonable caution in reproducing or extracting the information from such sources. However, because of potentially flawed methodologies, discrepancies in market practice and other problems, these facts, forecasts and other statistics may be inaccurate or may not be comparable from period to period or to facts, forecasts or statistics of other economies.

The Financial Institutions (Resolution) Ordinance may adversely affect the Bank.

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the "**FIRO**") came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant resolution authorities, which may include the Bank, Hong Kong branch of the Bank, Industrial and other licensed institutions of the Bank in Hong Kong (a "**FIRO Group Entity**"). The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong. In particular, in the context of a resolution of any FIRO Group Entity, the relevant resolution authority will have the ability to resolve other entities within the Group as if they were themselves a within scope financial institution for the purposes of FIRO and take certain actions and make certain directions in relation to such entities. In particular, the relevant resolution authority is provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. These may include, but are not limited to, powers to cancel, write off, modify, convert or replace all or a part of the Notes or the principal amount of, or interest on, the Notes, and powers to amend or alter the contractual provisions of the Notes, all of which may adversely affect the value of the Notes, and the holders thereof may suffer a loss of some or all of their investment as a result if the Issuer is the Hong Kong Branch. In the event that the Issuer is the Hong Kong Branch, holders of Notes may become subject to and bound by the FIRO.

The implementation of FIRO remains untested and certain details relating to FIRO will be set out through secondary legislation and supporting rules. Therefore, the Bank is unable to assess the full impact of FIRO on the financial system generally, the Bank's counterparties, the Bank, any of its consolidated subsidiaries or other Group entities, the Group's operations and/or its financial position.

RISKS RELATING TO CHINA

China's economic, political and social conditions, as well as government policies, could affect the Bank's business, financial condition and results of operations.

A substantial majority of the Bank's businesses, assets and operations are located in China. Accordingly, the Bank's financial condition, results of operations and business prospects are, to a significant degree, subject to the economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many respects, including, among other things, government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

In recent years, the PRC government has pushed forward a large number of economic reform measures to introduce market forces and promote the establishment of sound corporate governance structures. Such economic reform measures may be adjusted, modified or applied differently depending on the industries and regions of the country. As a result, the Bank may not benefit from certain of such measures.

The PRC government has the power to implement macroeconomic controls affecting China's economy. The PRC government has implemented various measures in an effort to control the growth rate of certain industries and restrain inflation. China has been one of the world's fastest growing economies, as measured by GDP growth, in recent years. However, China may not be able to sustain such a growth rate. During the recent global financial crisis and economic slowdown, the growth of the PRC's GDP slowed down. According to the statistics released by the NBSC, in 2022, the PRC government reported a GDP of CNY121.02 trillion, representing a decrease in year-on-year growth of 3.0 per cent. at constant prices; in 2023, the PRC government reported a GDP of CNY126.06 trillion, representing a year-on-year growth of 5.2 per cent. at constant prices; and in 2024, the PRC government reported a GDP of CNY134.51 trillion, representing a year-on-year growth of 5.0 per cent. at constant prices. In addition, in December 2023, Moody's changed its outlook on China's long-term foreign-currency issuer default rating to "negative" from "stable", reflecting Moody's expectation that economy-wide debt in the PRC will continue to rise as potential growth slows. More recently, in April 2025, Fitch downgraded China's long-term foreign-currency issuer default rating to "A (Stable)" from "A+ (Negative)", reflecting Fitch's expectations of a continued weakening of China's public finances and a rapidly rising public debt trajectory during the country's economic transition. There can be no assurance that similarly adverse ratings developments may not occur in the future. If any further adverse ratings developments occur, the Banks's corporate ratings could be adversely affected. If China's economy experiences a decrease in growth rate or a significant downturn, the unfavourable business environment and economic condition for the Bank's customers could negatively impact their ability or willingness to repay the Bank's loans and reduce their demand for the Bank's banking services.

Furthermore, the sustained tension between the United States and China over trade policies could undermine the stability of the global economy. The United States and China have recently been involved in disputes over trade barriers that have created trade tensions between the two countries. Both countries have implemented tariffs on certain imported products from the other, casting uncertainty over tariffs and barrier to entry for products on both sides. There are uncertainties as to when and whether the trade disputes will be resolved and trade barriers lifted. All these would add to the uncertainties relating to the overall prospects for the global and the PRC economies this year and beyond. As a result, the Bank's financial condition, results of operations and business prospects may be materially and adversely affected.

Turmoil in the financial markets could increase the Bank's cost of borrowing and impede access to or increase the cost of financing the Bank's operations and investments.

The availability of credit to entities operating within emerging markets, including the Bank, is significantly influenced by levels of investor confidence in such markets as a whole. Any factors that may affect market confidence could affect the costs or availability of funding for entities within emerging markets. Historically, challenging market conditions in emerging markets have resulted in reduced liquidity, widening of credit spreads, lack of price transparency in credit markets, a reduction in available financing and a tightening of credit terms. In 2015, the PRC stock markets experienced significant turmoil and disruption. Throughout June and early July of 2015, the Shanghai Composite Index experienced significant declines and many PRC-listed companies were subject to trading suspensions on major stock exchanges. The PRC government responded by cutting interest rates, suspending initial public offerings and starting investigations into market manipulation in an effort to stabilise the market. Due to its increasing financial reliance

upon the PRC, Hong Kong's stock markets experienced a similar fluctuation during the relevant times and the Hang Seng Index had a record-breaking slump in a single day in the recent decade. As the Bank's shares are listed on both the HKSE and the SSE, significant fluctuations in these financial markets could cause substantial adverse effects on the Bank's business operations and investments as a whole.

In the first half of 2023, the global financial markets have experienced further turmoil with the collapse of Silicon Valley Bank, followed by Signature Bank, the crisis of Credit Suisse and the seizure of First Republic Bank, which has resulted in higher uncertainty in the financial services industry and has raised questions about the viability of other financial services firms and possibility of broader systemic risk. In addition, the response by government regulators and central banks to recent financial markets turmoil, including the response by Swiss authorities to the collapse of Credit Suisse and the seizure of First Republic Bank by U.S. regulators, has caused market participants to question how regulators and central banks will utilise resolution authority powers with respect to financial institutions or otherwise respond in the event of further turbulence or crisis in financial markets. In turn, the actual or perceived soundness of these financial institutions could have an adverse effect on the Bank's cost of borrowing and the cost of financing the Bank's operations and investments, and could have a material impact on the Bank's financial condition, results of operations and business prospects.

The bankruptcy laws of the PRC may differ from those of other jurisdictions with which the holders of the Notes are familiar.

The Bank is incorporated under the laws of the PRC. Any bankruptcy proceeding relating to the Bank would likely involve PRC bankruptcy laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

The PRC legal system could limit the legal protection available to investors.

The Bank is organised under the laws of the PRC. The PRC legal system is based on written statutes. The PRC government has promulgated laws and regulations dealing with economic matters as the issuance and trading of securities, shareholder rights, foreign investment, corporate organisation and governance, commerce, taxation and trade. However, many of these laws and regulations continue to evolve, may be subject to different interpretation and may be inconsistently enforced. In addition, court decisions which may be cited for reference have limited precedential value as they are not binding on subsequent cases. These uncertainties relating to the interpretation of PRC laws and regulations can affect the legal remedies and protection that are available to investors and can adversely affect the value of an investment.

For example, under the 2017 PBOC Circular, financial institutions are required to file relevant operating rules and internal control policies and the details of the calculation of their outstanding foreign debt and foreign debt limit with PBOC or SAFE before making their first cross-border financing transaction and they are required to report to PBOC or SAFE of the amount of their capital fund and the financing agreement when a financing agreement is signed and before the drawdown of the loan or issue of debt securities, report their cross-border income after such drawdown, and report their cross-border payments after making interest or principal payments. In addition, financial institutions are also required to report to PBOC or SAFE within the first five working days of each month the

foreign debt they have borrowed and the change in their outstanding foreign debt during the previous month. The Bank is one of the 27 designated banks required to carry out the aforesaid reporting procedures. The 2017 PBOC Circular is subject to interpretation and application by relevant PRC authorities. The 2017 PBOC Circular applies to the issue of Notes under the Programme by the Bank or its onshore branches, but does not explicitly state whether it applies to offshore subsidiaries or branches of financial institutions incorporated in the PRC.

If reporting is required but not complied with, PBOC and/or SAFE may, among other things, (a) issue a notice of censure, (b) request rectification within a time limit, (c) impose a penalty according to the Law of People's Republic of China on the People's Bank of China and the Regulation of the People's Republic of China on the Management of Foreign Exchanges, (d) suspend cross-border financing of the institution, and (e) collect risk reserves from the institution. In addition, in the worst case scenario, if reporting is required but not complied with, it might become unlawful for the Issuer to perform or comply with any of its obligations under the Notes and the Notes might be subject to the enforcement as provided in Condition 10 (Events of Default) of the Conditions.

The interpretation of the NDRC Administrative Measures may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Notes. Any failure to complete the relevant filing and/or registration under the NDRC Administrative Measures within the prescribed time frames may have adverse consequences for the relevant Issuer and/or the investors of the Notes.

The NDRC issued the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知發改外資[2015]2044號) which came into effect on 14 September 2015, as amended and supplemented by any implementation or guidance rules or policies (including but not limited to a pilot programme) as issued by the NDRC from time to time (the "**NDRC Circular**"). According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities or medium to long term loans with a term not less than one year issued or incurred outside the PRC with the NDRC prior to the issue of the securities or drawings under the loans, and notify the particulars of the relevant issues or drawings within ten PRC working days after the completion of the relevant issue or drawing.

Effective from 10 February 2023, the NDRC Administrative Measures has superseded the NDRC Circular. Under the NDRC Administrative Measures, the Bank shall, (i) file or cause to be filed with the NDRC the requisite information and documents within ten PRC business days after each foreign debt issuance and the expiration of the Certificate with respect to the relevant Notes in accordance with the NDRC Administrative Measures, (ii) file or cause to be filed with the NDRC the requisite information and documents within five PRC business days before the end of January and the end of July each year, and (iii) file or cause to be filed the requisite information and documents upon the occurrence of any material event that may affect the enterprise's due performance of its debt obligations. The NDRC Administrative Measures mentions some legal consequences of non-compliance with the pre-issuance registration requirement. For example, if the enterprise borrows foreign debt in violation of the NDRC Administrative Measures, the examination and registration authority shall take disciplinary actions such as holding an interview and giving a public warning against the relevant enterprise and its principal person-in-charge according to the seriousness of the circumstances, and if any intermediary agency knows

or should have known that an enterprise is borrowing foreign debt in violation of the relevant provision of the NDRC Administrative Measures but still provides the relevant intermediary services to the enterprise, the examination and registration authority shall circulate a notification of violation of regulations, and consult the relevant department on punishing the relevant intermediary agency and relevant liable persons in accordance with the applicable laws and regulations. In the worst case scenario, if pre-issuance registration is required but not complied with, it might become unlawful for the relevant Issuer to perform or comply with any of its obligations under the relevant Notes and the relevant Notes might be subject to enforcement as provided in Condition 10 (*Events of Default*). Potential investors of the Notes are advised to exercise due caution when making their investment decisions.

Similarly, the NDRC Administrative Measures mentions some legal consequences of non-compliance with the post-issue notification requirement. Failure to comply with the NDRC post-issue and continuing filing obligations (such as post-issue filing, pre-issuance approval expiration filing, periodical filing and major event filing, etc.) under Articles 24 and 26 of the NDRC Administrative Measures may result in the relevant entities being ordered to make corrections within a time limit, and in the case of aggravating circumstances or in the case that such corrections are not made within the prescribed time limit, relevant entities and their main person-in-charge will be warned. The aforesaid regulatory violations committed by enterprises shall be publicised on the "Credit China" website and the national enterprise credit information publicity system, among others.

The Bank undertakes to file or cause to be filed with the NDRC within the relevant prescribed timeframes after the relevant Issue Date the requisite information and documents in respect of the relevant Notes in accordance with the NDRC Administrative Measures and any implementation rules or policies as issued by the NDRC from time to time.

However, the NDRC Administrative Measures is new and its implementation may involve significant uncertainty. The administration and enforcement of the NDRC Administrative Measures may be subject to executive and policy discretion of the NDRC. While the NDRC Administrative Measures has set out the legal consequences for debtors and involved professional parties in cases of non-compliance of the NDRC Administrative Measures, the NDRC Administrative Measures is silent on whether any such non-compliance would affect the validity and enforceability of the Notes. There is no assurance that the failure to comply with the NDRC Administrative Measures would not result in adverse consequences on the relevant Issuer's or the Bank's ability to perform in accordance with the Conditions or the enforceability of the Notes.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against the Bank and the Bank's management.

The Bank is a company incorporated under the laws of the PRC, and a substantial majority of its business, assets and operations are located in China. In addition, a majority of its directors, supervisors and executive officers reside in China, and substantially all of the assets of such directors, supervisors and executive officers are located in China. Therefore, it may not be possible for investors to effect service of process upon the Bank or those persons inside China.

Furthermore, as a general matter, a judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with China or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. The PRC signed the Hague Convention on Choice of Court Agreements (the "**Hague Convention**") in September 2017 which is intended to promote the use of exclusive choice of court agreements in international contracts and facilitate the creation of a recognition and enforcement regime for court judgements between contracting States. However, the signing of the Hague Convention does not currently have any legal effect until it is ratified by the PRC government. China does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of many jurisdictions, including Japan, the United States and the United Kingdom. Hence, the recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult.

The Bank is subject to risks relating to fluctuations in exchange rates.

The Bank receives a substantial majority of its revenues in Renminbi. A portion of these revenues must be converted into other currencies in order to meet the Bank's foreign currency obligations. For example, the Bank needs to obtain foreign currency to make payments of declared dividends, if any, on its H shares.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in China's and international political and economic conditions and the PRC government's fiscal and currency policies. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand and reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2.1 per cent. against the U.S. dollar. In August 2008, China revised the PRC Foreign Exchange Administration Regulations (中華人民共和國外匯管理條例) to promote the reform of its exchange rate regime. In June 2010, PBOC decided to further reform China's exchange rate system in order to make it more flexible. Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may result in the decrease in the value of the Bank's foreign currency-denominated assets. Conversely, any devaluation of the Renminbi may adversely affect the value of, and any dividends payable on, the Bank's H shares in foreign currency terms. Although the Bank seeks to reduce its exchange rate risk through currency derivatives or otherwise, it cannot assure investors that it will be able to reduce its foreign currency risk exposure relating to its foreign currency-dominated assets. In addition, there are limited instruments available for the Bank to reduce its foreign currency risk exposure at reasonable costs. Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may materially and adversely affect the financial conditions of certain of the Bank's customers, particularly those deriving substantial income from exporting products or engaging in related businesses, and in turn affect their abilities to service their obligations to the Bank.

Any force majeure events, including occurrence of natural disasters or outbreaks of contagious diseases in China may have a material adverse effect on the Bank's business operations, financial condition and results of operations.

Any occurrence of natural disasters or outbreaks of health epidemics and contagious diseases such as COVID-19 may materially and adversely affect the Bank's business and results of operations. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activity in affected areas, which may in turn adversely affect the Bank's business. There is no assurance that any such outbreaks will not lead to decreased demand for services the Bank provides; nor is there assurance that such outbreak's adverse impact on the global economy and the Bank's customers will not adversely affect the level of non-performing loans. Such outbreaks may also adversely affect the Bank's ability to continue normal operations and provide uninterrupted services to its customers.

Moreover, China has experienced natural disasters like earthquakes, floods and droughts in the past few years. For example, in May 2008 and April 2010, China experienced earthquakes with reported magnitudes of 8.0 and 7.1 on the Richter scale in Sichuan Province and Qinghai Province, respectively, resulting in the death of tens of thousands of people. The Bank suffered an adverse impact from the earthquake in Sichuan Province. The Bank also suffered the adverse impact from the earthquake in Qinghai Province, but the impact is not material because its operations in the locality affected by the earthquake are small. In 2010, there were severe droughts and flood in various parts of China, resulting in significant economic losses in these areas. Any occurrence of severe natural disasters in China may adversely affect its economy and in turn the Bank's business, particularly in light of the substantial portion of the Bank's County Area Banking Business which is more vulnerable to natural disasters. There is no guarantee that any future occurrence of natural disasters or outbreaks of contagious diseases, or the response measures taken by the PRC government or other countries, will not seriously interrupt the Bank's operations or those of its customers, which may have a material and adverse effect on the Bank's results of operations.

RISKS RELATING TO THE NOTES ISSUED UNDER THE PROGRAMME

The Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to an investor's overall portfolio. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Modification and waivers

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally and to obtain written resolutions on matters relating to the Notes from Noteholders without calling a meeting. A written resolution signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Notes of the relevant Series who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Agency Agreement and whose Notes are outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

A written resolution as described above may be effected in connection with any matter affecting the interests of Noteholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Noteholders satisfying the special quorum in accordance with the provisions of the Agency Agreement, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions may be amended, modified, or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series. The Conditions also provide that the Issuer may permit a modification of, or a waiver or authorisation of any breach or proposed breach of or a failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

Change of law

The Conditions are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

The Notes may be represented by Global Notes or Global Certificates and holders of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s)

Notes issued under the Programme may be represented by one or more Global Notes or Global Certificates. Such Global Notes or Global Certificate will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg, (each of Euroclear and Clearstream, Luxembourg, a "**Clearing System**"). Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive Definitive Notes or Certificates. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes or Global Certificate. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg, for distribution to their account holders. A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificate. Holders of beneficial interests in the Global Notes or Global Certificate will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

Potential investors should not place undue reliance on the financial information incorporated by reference that is not audited

This Offering Circular incorporates the most recently published unaudited but reviewed interim consolidated financial statements of the Bank published from time to time after the date of this Offering Circular, together with any review reports prepared in connection therewith, as well as the most recently published unaudited and unreviewed quarterly financial information. The Bank publishes its consolidated quarterly financial statements in respect of the three months ended 31 March and 30 September of each financial year. A copy of the quarterly financial statements can be found on the website of the HKSE. The quarterly financial statements have not been and will not be audited or reviewed by the Bank's independent auditors and were and will be prepared under IFRS Accounting Standards. The quarterly financial statements should not be relied upon by investors to

provide the same quality of information associated with information that has been subject to an audit or review. Potential investors should exercise caution when using such data to evaluate the Bank's financial condition and results of operations. The half-year or quarterly financial information should not be taken as an indication of the expected financial condition or results of operations of the Bank for the relevant full financial year.

The Notes are subordinated to all secured debt of each of the Issuer and the Bank

Each tranche of Notes will be unsecured and will rank at least equally with all other unsecured and unsubordinated indebtedness (except for creditors whose claims are preferred by laws and rank ahead of the holders of the Notes) that each of the Issuer and the Bank has issued or may issue. Payments under the Notes are effectively subordinated to all secured debt of each of the Issuer and the Bank to the extent of the value of the assets securing such debt.

As a result of such security interests given to the Issuer's and the Bank's secured lenders, in the event of a bankruptcy, liquidation, dissolution, reorganisation or similar proceeding involving the Issuer and the Bank, the affected assets of the Issuer and the Bank may not be used to pay the Noteholders until after all secured claims against the affected entity have been fully paid, and if the affected entity is a subsidiary of the Bank, all other claims against such subsidiary, including trade payables, have been fully paid.

Singapore Taxation Risk

The Notes to be issued from time to time under the Programme, during the period from the date of this Offering Circular to 31 December 2028 are, pursuant to the Income Tax Act 1947 of Singapore (the "**Income Tax Act**") and the MAS Circular FDD Cir 08/2023 entitled "Qualifying Debt Securities and Primary Dealer Schemes — Extension and Refinements" issued by the Monetary Authority of Singapore ("**MAS**") on 31 May 2023, intended to be "qualifying debt securities" for the purposes of the Income Tax Act, subject to the fulfillment of certain conditions more particularly described in the section "Taxation — Singapore". However, there is no assurance that such Notes will continue to enjoy the tax concessions in connection therewith should the relevant tax laws or MAS circulars be amended or revoked at any time.

RISKS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

The regulation and reform of "benchmark" rates of interest and indices may adversely affect the value of Notes linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be or used as "benchmarks"(including the euro interbank offered rate ("**EURIBOR**")), are the subject of recent national, international regulatory and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Note linked to or referencing such a benchmark.

Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by European Union supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-European Union based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**") among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the United Kingdom Financial Conduct Authority ("**FCA**") or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable could have a material impact on any Notes linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international, national, or other proposals, for reforms or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Separately, the euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021, the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates.

The potential elimination of the EURIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the Conditions, or result in other consequences, in respect of any Notes linked to such benchmark. Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The Conditions provide for certain fallback arrangements in the event that a Benchmark Event occurs, including if an inter-bank offered rate (such as EURIBOR) or other relevant reference rate (which could include, without limitation, any mid-swap rate) and/or any page on which such benchmark may be published (or any successor service) becomes unavailable,

or if any Paying Agent, Calculation Agent, the relevant Issuer or other party is no longer permitted lawfully to calculate interest on any Notes by reference to such benchmark. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a Successor Rate or an Alternative Rate (both as defined in the Conditions), with or without the application of an Adjustment Spread (as defined in the Conditions). Adjustment Spread is the spread or a formula or methodology for calculating a spread which (i) is formally recommended in relation to the replacement of the Reference Rate (as defined in the Conditions) with the Successor Rate by any Relevant Nominating Body (as defined in the Conditions); (ii) if no such recommendation has been made or in the case of an Alternative Rate, the spread, formula or methodology which the Independent Adviser (as defined in the Conditions) (in consultation with the relevant Issuer) or the relevant Issuer (acting in a reasonable manner) (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as applicable); or (iii) if the Independent Adviser (in consultation with the relevant Issuer) or the relevant Issuer (acting in a reasonable manner) (as applicable) determines that no such customary market usage is recognised or acknowledged, the spread, formula or methodology which the Independent Adviser (in consultation with the relevant Issuer) or the relevant Issuer in its discretion (as applicable), determines (acting in a reasonable manner) to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances, of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Noteholders. There is no guarantee that any Adjustment Spread will be determined or applied. If no Adjustment Spread is determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Rate of Interest.

The use of any such Successor Rate or Alternative Rate or, if applied, Adjustment Spread to determine the Rate of Interest may result in Notes linked to or referencing the initial inter-bank offered rate or other relevant reference rate performing differently (including paying a lower Rate of Interest) than they would do if the initial inter-bank offered rate or other relevant reference rate (as applicable) were to continue to apply in its current form.

Under these fallback arrangements, the relevant Issuer will use all reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser (as defined in the Conditions) to determine the Successor Rate or Alternative Rate (as applicable), no later than five business days prior to the relevant Interest Determination Date (the "**IA Determination Cut-off Date**"), but in the event that the relevant Issuer is unable to appoint an Independent Adviser, or such Independent Adviser fails to determine the Successor Rate or Alternative Rate (as applicable) prior to the relevant IA Determination Cut-off Date, the relevant Issuer (acting in a reasonable manner) will have discretion to, amongst other things, determine the relevant Successor Rate or Alternative Rate (as applicable). There can be no assurance that such Successor Rate or Alternative Rate (as applicable) determined by the relevant Issuer will be set at a level which is on terms commercially acceptable to all Noteholders.

In certain circumstances, the ultimate fallback for the purposes of calculation of Rate of Interest for a particular Interest Accrual Period may result in the Rate of Interest for the last preceding Interest Accrual Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, any determinations that may need to be made by the

relevant Issuer with the involvement of an Independent Adviser entails a risk that the relevant fallback provisions may not operate as intended at the relevant time. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the relevant Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation, the UK Benchmarks Regulation or any other international or national reforms, in making any investment decision with respect to any Notes linked to or referencing a benchmark.

The use of Secured Overnight Financing Rate ("SOFR") as a reference rate is subject to important limitations

The rate of interest on the Floating Rate Notes may be calculated on the basis of SOFR (as further described under Condition 5(b)(iii)(c) of the Conditions).

In June 2017, the New York Federal Reserve's Alternative Reference Rates Committee (the "**ARRC**") announced SOFR as its recommended alternative to U.S. dollar LIBOR. However, the composition and characteristics of SOFR are not the same as those of LIBOR. SOFR is a broad U.S. Treasury repo-financing rate that represents overnight secured funding transactions. This means that SOFR is fundamentally different from LIBOR for two key reasons. First, SOFR is a secured rate, while LIBOR is an unsecured rate. Second, SOFR is an overnight rate, while LIBOR represents interbank funding over different maturities. As a result, there can be no assurance that SOFR will perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, market volatility or global or regional economic, financial, political, or regulatory events. For example, since publication of SOFR began in April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmark or other market rates.

As SOFR is an overnight funding rate, interest on SOFR-based Notes with interest periods longer than overnight will be calculated on the basis of either the arithmetic mean of SOFR over the relevant interest period or compounding SOFR during the relevant interest period. As a consequence of this calculation method, the amount of interest payable on each interest payment date will only be known a short period of time prior to the relevant interest payment date. Noteholders therefore will not know in advance the interest amount which will be payable on such Notes.

Although the Federal Reserve Bank of New York has published historical indicative SOFR information going back to 2014, such prepublication of historical data inherently involves assumptions, estimates and approximations. Noteholders should not rely on any historical changes or trends in SOFR as an indicator of future changes in SOFR.

The Federal Reserve Bank of New York notes on its publication page for SOFR that use of SOFR is subject to important limitations and disclaimers, including that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice. In addition, SOFR is published by the Federal Reserve Bank of New York based on data received from other sources and the Bank has no control over its determination, calculation or publication.

There can be no guarantee that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of the Noteholders. If the manner in which SOFR is calculated is changed or if SOFR is discontinued, that change or discontinuance may result in a reduction or elimination of the amount of interest payable on the Notes and a reduction in the trading prices of the Notes which would negatively impact the Noteholders who could lose part of their investment.

The Conditions provide for certain fallback arrangements in the event that a SOFR Benchmark Event occurs, which is based on the ARRC recommended language. There is however no guarantee that the fallback arrangements will operate as intended at the relevant time or operate on terms commercially acceptable to all Noteholders. Any of the fallbacks may result in interest payments that are lower than, or do not otherwise correlate over time with, the payments that would have been made on the Notes if SOFR had been provided by the Federal Reserve Bank of New York in its current form. Investors should consult their own independent advisers and make their own assessment about the potential risks in making any investment decision with respect to any Notes linked to SOFR.

The market continues to develop in relation to SOFR as a reference rate for Floating Rate Notes

Investors should be aware that the market continues to develop in relation to SOFR as a reference in the capital markets and its adoption as an alternative to U.S. dollar LIBOR. Market participants and relevant working groups are exploring alternative reference rates based on SOFR (which seek to measure the market's forward expectation of a SOFR rate over a designated term). The market or a significant part thereof may adopt an application of SOFR that differs significantly from that set out in the Conditions. In addition, the manner of adoption or application of SOFR in the bond markets may differ materially compared with the application and adoption of SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SOFR in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing SOFR. In addition, the development of SOFR as an interest reference rate for the bond markets, as well as continued development of SOFR-based rates, indices and averages for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of Notes referencing SOFR. Similarly, if SOFR is not proven to be widely used in securities such as the Notes referencing SOFR, investors may not be able to sell such Notes referencing SOFR at all or the trading price of the Notes referencing SOFR may be lower than those of bonds linked to indices that are more widely used.

The use of SOFR as a reference rate for bonds is nascent, and may be subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates. Notes referencing SOFR may have no established trading market when issued, and an established trading market may never develop or may not be very liquid which, in turn, may reduce the trading price of such Notes or mean that investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary

market, and may consequently suffer from increased pricing volatility and market risk. Investors should consider these matters when making their investment decision with respect to Notes referencing SOFR.

Notes subject to optional redemption by the relevant Issuer may have a lower market value than Notes that cannot be redeemed

An optional redemption feature is likely to limit the market value of Notes. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index linked Notes and dual currency Notes

The relevant Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the relevant Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes

The relevant Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse floating rate Notes

Inverse floating rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the EURIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse floating rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating rate notes

Fixed/Floating rate Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The relevant Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate, the spread on the fixed/floating rate Notes may be less favourable than then prevailing spreads on comparable floating rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Bearer Notes where denominations involve integral multiples

In relation to any issue of Notes in bearer form which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that the Notes may be traded in amounts that are not integral multiples of such minimum Specified Denominations (as defined in the Conditions). In such

a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Gains on the transfer of the Notes may become subject to income taxes under PRC tax laws

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of the Notes by non-PRC resident enterprise or individual Holders may be subject to PRC enterprise income tax ("**EIT**") or PRC individual income tax ("**IIT**") if such gain is regarded as income derived from sources within the PRC. The PRC Enterprise Income Tax Law levies EIT at the rate of 20 per cent. of the PRC-sourced gains derived by such non-PRC resident enterprise from the transfer of Notes but its implementation rules have reduced the EIT rate to 10 per cent. The PRC Individual Income Tax Law levies IIT at a rate of 20 per cent. of the PRC-sourced gains derived by such non-PRC resident individual Holder from the transfer of Notes.

However, uncertainty remains as to whether the gain realised from the transfer of Notes by non-PRC resident enterprise or individual Holders would be treated as income derived from sources within the PRC and thus become subject to EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules. If such gains are determined as income sourced in the PRC by the relevant PRC tax authorities, (i) the non-PRC resident enterprise Noteholders may be subject to PRC enterprise income tax at the rate of 10 per cent. of the gains derived by such non-PRC resident enterprise Noteholders and (ii) the non-PRC resident individual Noteholders may be subject to PRC individual income tax at the rate of 20 per cent. of the gains derived by such non-PRC resident individual Noteholders. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, Holders who are residents of Hong Kong, including enterprise Holders and individual Holders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Notes.

Therefore, if enterprise or individual resident Holders which are non-PRC residents are required to pay PRC income tax on gains derived from the transfer of Notes, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual Holders of Notes reside that reduces or exempts the relevant EIT or IIT, the value of their investment in Notes may be materially and adversely affected.

RISKS RELATING TO RENMINBI-DENOMINATED NOTES

Notes denominated in CNY (the "**CNY Notes**") may be issued under the Programme. CNY Notes contain particular risks for potential investors.

There are restrictions on remittance of Renminbi into or out of the PRC

The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the U.S. dollar. However, there has been significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Participating banks in Hong Kong have been permitted to engage in the settlement of Renminbi trade transactions under a pilot scheme introduced in July 2009. This represents a current account activity. The pilot scheme was extended in August 2011 to cover the whole nation and to make Renminbi trade and other current account item settlement available in all countries worldwide. On 7 April 2011, the SAFE promulgated the Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi (國家外匯管理局綜合司關於規範跨境人民幣資本項目業務操作有關問題的通知) (the "**SAFE Circular**"), which became effective on 1 May 2011. According to the SAFE Circular, in the event that foreign investors intend to use cross-border Renminbi (including offshore Renminbi and onshore Renminbi held in the accounts of non-PRC residents) to make contribution to an onshore enterprise or make payment for the transfer of equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the relevant prior written consent from the MOFCOM to the relevant local branches of SAFE of such onshore enterprise and register for a foreign invested enterprise status. Further, the SAFE Circular clarifies that the foreign debts borrowed, and the external guarantee provided, by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and external guarantee regime.

On 13 October 2011, the PBOC issued the Measures on Administration of the Renminbi Settlement in relation to Foreign Direct Investment (外商直接投資人民幣結算業務管理辦法) (the "**PBOC Renminbi FDI Measures**") which was revised on 29 May 2015, to commence the PBOC's detailed Renminbi FDI administration system, which covers almost all aspects of Renminbi FDI, including capital injection, payment of purchase price in the acquisition of PRC domestic enterprises, repatriation of dividends and distribution, as well as Renminbi denominated cross-border loans. Under the PBOC Renminbi FDI Measures, special approval for Renminbi FDI and shareholder loans from the PBOC which was previously required by the PBOC Circular (as defined in "PRC Currency Controls") is no longer necessary. The MOFCOM Renminbi FDI Circular and the PBOC Renminbi FDI Measures, which are new regulations, will be subject to interpretation and application by the relevant PRC authorities. See "PRC Currency Controls".

On 3 December 2013, MOFCOM promulgated the "Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment" (商務部關於跨境人民幣直接投資有關問題的公告) (the "**MOFCOM Renminbi FDI Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. The MOFCOM Circular replaced the "Notice on Issues in relation to Cross-border Renminbi Foreign Direct Investment" (商務部關於跨境人民幣直接投資有關問題的通知) promulgated by MOFCOM on 12 October 2011 (the "**2011 MOFCOM Notice**"). Pursuant to the MOFCOM Renminbi FDI Circular, written approval from the appropriate office of MOFCOM and/or its local counterparts specifying "Renminbi Foreign Direct Investment" and the amount of capital contribution is required for each FDI. Compared with the 2011 MOFCOM Notice, the MOFCOM Renminbi FDI Circular no longer contains the requirements for central level MOFCOM approvals for investments of CNY300 million or above, or in certain industries, such as financial guarantee, financial leasing, micro-credit, auction, foreign invested investment companies, venture capital and

equity investment vehicles, cement, iron and steel, electrolyse aluminium, ship building and other industries under the state macro-regulation. Unlike the 2011 MOFCOM Notice, the MOFCOM Renminbi FDI Circular has also removed the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to Renminbi.

The reforms which are being introduced and will be introduced in the Shanghai Free Trade Zone (the "Sha**nghai FTZ**") aim to upgrade cross-border trade, liberalise foreign exchange control, increase the convenience of cross-border use of Renminbi, and promote the internationalisation of Renminbi. However, given that the Shanghai FTZ is still in its infancy, how the reforms will be implemented and whether (and if so when) the reforms will be rolled out throughout China remain uncertain.

To support the development of the Shanghai FTZ, the Shanghai Head Office of the PBOC issued the Circular on Supporting the Expanded Cross-border Utilisation of Renminbi in the Shanghai FTZ (關於支持中國上海自由貿易試驗區擴大人民幣跨境使用的通知) (the "**PBOC Shanghai FTZ Circular**") on 20 February 2014, which allows banks in Shanghai to settle FDI based on a foreign investor's instruction. In respect of FDI in industries that are not on the "negative list" of the Shanghai FTZ, the MOFCOM approval that was previously required has been replaced by a filing. However, the application of the Shanghai FTZ Circular is limited to the Shanghai FTZ.

In addition, the MOFCOM Renminbi FDI Circular also clearly prohibits FDI funds from being used for any investments in securities and financial derivatives (except for investments in PRC listed companies by strategic investors) or for entrustment loans in the PRC.

Although starting from 1 October 2016, the Renminbi was added to the Special Drawing Rights basket created by the International Monetary Fund and policies further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies were implemented by the PBOC in 2018, there is no assurance that the PRC government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the pilot scheme introduced in July 2009 will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the relevant Issuer to source Renminbi to finance its obligations under CNY Notes.

The availability of Renminbi outside the PRC may be limited, which may affect the liquidity of CNY Notes and the relevant Issuer's ability to source Renminbi outside the PRC to service such CNY Notes

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. Since February 2004, in accordance with arrangements between the PRC central government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi-denominated banking services to Hong Kong residents and specified business customers. Hong Kong residents are permitted to convert limited amounts of foreign currencies, including Hong Kong dollars, into Renminbi at such banks on a per-day basis. The PBOC has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. On 19 July 2010, further amendments were made to the Settlement Agreement on the

Clearing of Renminbi Business (the "**Settlement Agreement**") between the PBOC and Bank of China (Hong Kong) Limited (the "**Renminbi Clearing Bank**") to further expand the scope of Renminbi business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open Renminbi accounts in Hong Kong; there is no longer any limit on the ability of corporations to convert Renminbi; and there will no longer be any restriction on the transfer of Renminbi funds between different accounts in Hong Kong. However, the current size of Renminbi-denominated financial assets outside the PRC is limited. Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. They are only allowed to square their open positions with the Renminbi Clearing Bank after consolidating the Renminbi trade position of banks outside Hong Kong that are in the same bank group of the participating banks concerned with their own trade position and the Renminbi Clearing Bank only has access to onshore liquidity support from the PBOC to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and for individual customers of up to CNY20,000 per person per day and for the designated business customers relating to the Renminbi received in providing their services. The Renminbi Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from the offshore market to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreement will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of the relevant Issuer's CNY Notes. To the extent the relevant Issuer is required to source Renminbi in the offshore market to service its CNY Notes, there is no assurance that the relevant Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in CNY Notes is subject to exchange rate risks

The value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. The relevant Issuer will make all payments of interest and principal with respect to the CNY Notes in Renminbi. As a result, the value of these Renminbi payments in U.S. dollar or other applicable foreign currency terms may vary with changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other applicable foreign currency between then and when the relevant Issuer pays back the principal of the CNY Notes in Renminbi at maturity, the value of a Noteholder's investment in U.S. dollar or other applicable foreign currency terms will have declined.

Payments for the CNY Notes will only be made to investors in the manner specified in the CNY Notes

Investors may be required to provide certifications and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong. All Renminbi payments to investors in respect of the CNY Notes will be made

solely (i) for so long as the CNY Notes are represented by a temporary Global Note, a permanent Global Note or a Global Certificate held with the common depositary for Clearstream, Luxembourg and Euroclear Bank or with a sub-custodian for the CMU or any alternative clearing system by transfer to a Renminbi bank account maintained in Hong Kong, or (ii) for so long as the CNY Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with the prevailing rules and regulations. The relevant Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

There may be PRC tax consequences with respect to an investment in the CNY Notes

In considering whether to invest in the CNY Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situation as well as any tax consequences arising under the laws of any other tax jurisdictions. The value of the holder's investment in the CNY Notes may be materially and adversely affected if the holder is required to pay PRC tax with respect to acquiring, holding or disposing of and receiving payments under those CNY Notes.

Investment in the CNY Notes is subject to interest rate risks

The value of CNY payments under CNY Notes may be susceptible to interest rate fluctuations occurring within and outside the PRC, including PRC CNY repo rates and/or the Shanghai inter-bank offered rate. The PRC government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for CNY in markets outside the PRC may significantly deviate from the interest rate for CNY in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

The CNY Notes may carry a fixed interest rate. Consequently, the trading price of such Notes will vary with the fluctuations in the Renminbi interest rates. If holders of CNY Notes propose to sell their Notes before their maturity, they may receive an offer lower than the amount they have invested.

RISKS RELATING TO THE MARKET GENERALLY

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Developments in other markets may adversely affect the market price of the Notes

The market price of the Notes may be adversely affected by declines in the international financial markets and global economic downturn. The market for the Notes is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issues in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatility, such as that caused in recent years by the global financial and economic crisis, including the European debt crisis, the potential withdrawal of countries from the Euro-zone and the United Kingdom formally notifying the European Counsel of its desire to withdraw from the European Union following the referendum in the United Kingdom on 23 June 2016 (where on 31

January 2020, the United Kingdom's membership of the European Union formally ended), the recent US-China trade tensions including the restrictions, prohibitions and other similar regulatory measures announced by the United States, the COVID-19 outbreak, the rise in inflation in major economics, the recent military conflict between Russia and Ukraine and the recent conflict in Israel and Gaza, which has caused stock markets worldwide to lose significant value and impacted economic activities in Asia and worldwide. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a material adverse effect on the market value of the Notes.

Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the relevant Issuer. If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although application may be made to the HKSE or another stock exchange for the Notes issued under the Programme to be admitted to listing on the HKSE or such other stock exchange, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. In addition, the market for investment grade has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. If a Tranche of Notes is issued to a single investor or a limited number of investors, this may result in an even more illiquid or volatile market in such Notes. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Notes.

Exchange rate risks and exchange controls

The relevant Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change

(including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Inventor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in fixed rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of fixed rate Notes.

Credit ratings may not reflect all risks and any credit rating may be downgraded or withdrawn

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Each Tranche of Notes may be rated or unrated, as specified in the applicable Pricing Supplement. The rating represents the opinion of the relevant rating agency and its assessment of the ability of the relevant Issuer to perform their respective obligations under the Notes, and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities. The rating can be lowered or withdrawn at any time. The relevant Issuer is not obligated to inform holders of the Notes if a rating is lowered or withdrawn. A reduction or withdrawal of a rating may adversely affect the market price of the Notes.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

RISKS RELATING TO THE GROUP'S FINANCIAL STATEMENTS

The Bank may continue to publish periodical financial information in the PRC pursuant to applicable PRC regulatory rules. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular.

The Bank from time to time issue corporate bonds, private placement bonds and medium term notes in the domestic capital markets in the PRC. According to applicable PRC securities regulations on debt capital markets, the Bank needs to publish its quarterly, half year and annual financial information to satisfy its continuing disclosure obligations relating to its bonds in the domestic capital markets. So long as any bond remains outstanding, the Bank is obligated by the terms of the bonds, among others, to provide holders of the bonds with its audited annual consolidated financial statements and certain unaudited but reviewed semi-annual consolidated financial statements. The published financial information in the PRC may be adjusted or restated to address subsequent changes in accordance with the accounting standards, the Bank's accounting policies and/or applicable laws and regulations affecting the Bank's financial reporting or to reflect the subsequent comments given by the independent auditors during the course of such auditors' audit or review. Such adjustment or restatement may cause discrepancies between the financial information with respect to a particular period or date contained in the Bank's management accounts published in the PRC and the audited or reviewed consolidated financial statements disclosed elsewhere in this Offering Circular. The Bank is not responsible to holders of the Notes for the unaudited and unreviewed financial information from time to time published in the PRC and therefore potential investors should not place any reliance on any such financial information.

TERMS AND CONDITIONS OF THE NOTES

*The following other than the words in italics is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or the Global Certificate representing each Series. Either (i) the full text of the terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) the terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in the Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Bearer Notes or Certificates, as the case may be. References in the Conditions to "**Notes**" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are part of a Series (as defined below) of Notes issued by the issuing branch of the Bank (as defined below) located outside of the PRC specified hereon as issuer (the "**Issuer**") and are issued pursuant to an amended and restated agency agreement dated 16 January 2024 (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") between Agricultural Bank of China Limited 中國農業銀行股份有限公司 (the "**Bank**"), Agricultural Bank of China Limited Hong Kong Branch 中國農業銀行股份有限公司香港分行, China Construction Bank (Asia) Corporation Limited 中國建設銀行(亞洲)股份有限公司 as fiscal agent and the other agents named in it and with the benefit of a Deed of Covenant (as amended or supplemented as at the Issue Date, the "**Deed of Covenant**") dated 17 July 2015 executed by the Bank in relation to the Notes. The fiscal agent, the CMU Lodging and paying agent, the other paying agents, the registrars, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**CMU Lodging and Paying Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent and the CMU Lodging and Paying Agent), the "**Registrar**", the "**Transfer Agents**" and the "**Calculation Agent(s)**". For the purposes of these terms and conditions (the "**Conditions**"), all references to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly. The Noteholders (as defined below), the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

1 FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note, or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 NO EXCHANGE OF NOTES AND TRANSFERS OF REGISTERED NOTES

(a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes:** Subject to Conditions 2(f) and 2(g), one or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one

Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any other Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) **Transfer Free of Charge:** Transfers of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

(g) **Regulations Concerning Transfers and Registration:** All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

3 STATUS

The Notes and the Receipts and the Coupons relating to them constitute direct, unconditional, unsubordinated and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

4 NEGATIVE PLEDGE AND OTHER COVENANTS

(a) **Negative Pledge:** So long as any Note or Coupon remains outstanding (as defined in the Agency Agreement) the Bank will not, and will ensure that none of its Subsidiaries will create, or have outstanding any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Public External Indebtedness or to secure any guarantee or indemnity in respect of any Public External Indebtedness without at the same time or prior thereto according to the Notes and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Noteholders. This provision, however, will not apply to any (i) security interest on any property or asset existing at the time of acquisition of such property or asset or to secure the payment of all or any part of the purchase price or construction cost thereof or to secure any indebtedness incurred prior to, or at the time of, such acquisition or the completion of construction of such property or asset for the purpose of financing all or any part of the purchase price or construction cost thereof or (ii) lien arising by operation of law.

(b) **NDRC Reporting:** Where the NDRC Administrative Measures applies to the Tranche of Notes to be issued, the Issuer undertakes to provide or cause to be provided a submission of the requisite information and documents in connection with such Tranche of Notes to the NDRC, and comply with any other applicable reporting requirement in connection with such Tranche of Notes, within the prescribed timeframes after the relevant Issue Date in accordance with the NDRC Administrative Measures.

(c) **PBOC Filing:** Where the PBOC Circular applies to the Tranche of Notes to be issued, the Issuer undertakes to complete the filing of such Notes prior to the relevant launch of the offering, and, as applicable, after the relevant Issue Date within the prescribed timeframe in accordance with the PBOC Circular.

(d) **CBIRC Approval and Filing:** In the case of an issuance of Notes by the Bank as the Issuer, the Issuer shall obtain, as applicable, the approvals from CBIRC for the creation and issuance of the relevant Tranche of Notes, and complete the reporting and submission to CBIRC which are permitted to be obtained or completed after the date of the issuance of the relevant Tranche of Notes.

(e) In these Conditions:

(i) "**CBIRC**" means China Banking and Insurance Regulatory Commission or its local counterparts;

(ii) "**NDRC**" means the National Development and Reform Commission of the PRC;

(iii) "**NDRC Administrative Measures**" means the Administrative Measures for the Examination and Registration of Medium and Long-term Foreign Debts of Enterprises (《企業中長期外債審核登記管理辦法》(國家發展和改革委員會令第56號)) issued by the NDRC on 5 January 2023 and effective on 10 February 2023, and as amended and supplemented by any implementation or guidance rules or policies as issued by the NDRC from time to time;

(iv) "**PBOC**" means the People's Bank of China;

(v) "**PBOC Circular**" means the Notice of the People's Bank of China on Matters concerning the Macro-Prudential Management of Full-Covered Cross-Border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) as issued by the PBOC on 11 January 2017;

(vi) "**Public External Indebtedness**" means any indebtedness of the Bank (or, for the purpose of Condition 9, any Subsidiary), or any guarantee or indemnity by the Bank of indebtedness, for money borrowed, which (i) is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) outside the People's Republic of China (for the purpose hereof not including the Hong Kong and Macau Special Administrative Regions or Taiwan) (the "**PRC**") (without regard, however, to whether or not such instruments are sold through public offerings or private placements); and (ii) has an original maturity of more than 365 days; and

(vii) "**Subsidiary**" means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Bank.

5 INTEREST AND OTHER CALCULATIONS

(a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**

(i) ***Interest Payment Dates***: Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined by the Calculation Agent in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) ***Business Day Convention***: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) ***Rate of Interest for Floating Rate Notes***: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined by the Calculation Agent in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as

a rate equal to the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin, if any. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon

(y) the Designated Maturity is a period specified hereon and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes (other than Floating Rate Notes which specify the Reference Rate as SOFR)

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. (in the case of CNH HIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than EURIBOR, HIBOR or CNH HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(y) if the Relevant Screen Page is not available or, if sub-paragraph (x)(l) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the

Reference Rate is CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SOFR Benchmark

If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate of Interest is to be determined where the Reference Rate is SOFR Benchmark, the Rate of Interest applicable to the Floating Rate Notes for each Interest Accrual Period will, subject as provided below, be equal to the sum of the relevant SOFR Benchmark plus or minus (as specified in the relevant Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent on the relevant Interest Determination Date.

The "**SOFR Benchmark**" will be determined based on Simple SOFR Average, Compounded Daily SOFR or SOFR Compounded Index (as specified in the relevant Pricing Supplement), as follows (subject in each case to Condition 5(b)(v)):

(x) If Simple SOFR Average ("**Simple SOFR Average**") is specified in the relevant Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be the arithmetic mean of the SOFR reference rates for each day during such Interest Accrual Period, as calculated by the Calculation Agent, and where, if applicable and as specified in the relevant Pricing Supplement, the SOFR reference rate on the SOFR Rate Cut-Off Date shall be used for the days in the relevant Interest Accrual Period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the last day of that Interest Accrual Period.

(y) If Compounded Daily SOFR ("**Compounded Daily SOFR**") is specified in the relevant Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant Interest Accrual Period (where SOFR Observation Lag, SOFR Payment Delay or SOFR Lockout is specified in the relevant Pricing Supplement to determine Compounded Daily SOFR) or the SOFR Observation Period (where SOFR Observation Shift is specified as applicable in the relevant Pricing Supplement to determine Compounded Daily SOFR).

Compounded Daily SOFR shall be calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified in the relevant Pricing Supplement:

i. SOFR Observation Lag:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_{i\,-\times USBD}\ \times\ n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"$\boldsymbol{SOFR_{i\,-\times USBD}}$" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day(i);

"**Lookback Days**" means such number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"$\mathbf{d_o}$" for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to do, each representing the relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each, a "**U.S. Government Securities Business Day(i)**"); and

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

ii. SOFR Observation Shift:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"$\mathbf{SOFR_i}$" for any U.S. Government Securities Business Day(i) in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i);

"**SOFR Observation Period**" means, in respect of an Interest Accrual Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of such Interest Accrual Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date of such Interest Accrual Period;

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement;

"**d**" means the number of calendar days in the relevant SOFR Observation Period;

"$\mathbf{d_o}$" for any SOFR Observation Period, means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

"**i**" means a series of whole numbers ascending from one to do, each representing the relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period (each, a "**U.S. Government Securities Business Day(i)**"); and

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

iii. SOFR Payment Delay:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"$\mathbf{SOFR_i}$" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i);

"**Interest Payment Date**" shall be the number of Interest Payment Delay Days following each Interest Period Date; provided that the Interest Payment Date with respect to the final Interest Accrual Period will be the Maturity Date or the relevant date for redemption, as applicable;

"**Interest Payment Delay Days**" means the number of Business Days as specified in the relevant Pricing Supplement;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"$\mathbf{d_o}$" for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to d_o, each representing the relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each, a "**U.S. Government Securities Business Day(i)**"); and

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

For the purposes of calculating Compounded Daily SOFR with respect to the final Interest Accrual Period where SOFR Payment Delay is specified in the relevant Pricing Supplement, the SOFR reference rate for each U.S. Government Securities Business Day in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Maturity Date or the relevant date for redemption, as applicable, shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date.

iv. SOFR Lockout:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"$\mathbf{SOFR_i}$" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i) except that the SOFR for any U.S. Government Securities Business Day(i) in respect of the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the last day of such Interest Accrual Period shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"$\mathbf{d_o}$" for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each, a "**U.S. Government Securities Business Day(i)**"); and

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

The following defined terms shall have the meanings set out below for purpose of Conditions 5(b)(iii)(C)(x) and 5(b)(iii)(C)(y):

"**Bloomberg Screen SOFRRATE Page**" means the Bloomberg screen designated "SOFRRATE" or any successor page or service;

"**Reuters Page USDSOFR=**" means the Reuters page designated "USDSOFR=" or any successor page or service;

"**SOFR**" means, with respect to any U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provision:

(i) the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator's Website;

(ii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the SOFR reference rate shall be the reference rate published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website; or

(iii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(b)(v) shall apply;

"**SOFR Determination Time**" means approximately 3:00 p.m. (New York City time) on the immediately following the relevant U.S. Government Securities Business Day.

(z) If SOFR Compounded Index ("**SOFR Compounded Index**") is specified as applicable in the relevant Pricing Supplement, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

$$\left(\frac{SOFR\ Index_{End}}{SOFR\ Index_{Start}} - 1\right) \times \left(\frac{360}{d_c}\right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"**SOFR Index**", with respect to any U.S. Government Securities Business Day, means the SOFR Index value as published on the SOFR Administrator's Website at the SOFR Index Determination Time on such U.S. Government Securities Business Day, *provided that* if such SOFR Index value is not available and:

(i) if a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the "**SOFR Compounded Index**" shall be calculated on any Interest Determination Date with respect to an Interest Accrual Period, in accordance with the Compounded Daily SOFR formula described above in Condition 5(b)(iii)(C)(y)(ii) (*SOFR Observation Shift*); or

(ii) if a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(b)(v) shall apply;

"**SOFR Index$_{End}$**" means, in respect of an Interest Accrual Period, the SOFR Index value on the date that is SOFR Observation Shift Days prior to the Interest Period Date for such Interest Accrual Period (or in the final Interest Accrual Period, the Maturity Date);

"**SOFR Index$_{Start}$**" means, in respect of an Interest Accrual Period, the SOFR Index value on the date that is SOFR Observation Shift Days prior to the first date of such Interest Accrual Period;

"**SOFR Index Determination Time**" means, in relation to any U.S. Government Securities Business Day, approximately 3:00 p.m. (New York City time) on such U.S. Government Securities Business Day;

"**SOFR Observation Period**" means, in respect of an Interest Accrual Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of such Interest Accrual Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date for such Interest Accrual Period;

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement; and

"$\mathbf{d_c}$" means the number of calendar days in the applicable SOFR Observation Period.

If the Notes become due and payable in accordance with Condition 10, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the relevant Pricing Supplement, be deemed to be the date on which the Notes became due and payable and the Rate of Interest on the Notes shall, for so long as the Notes remain outstanding, be that determined on such date.

The following defined terms shall have the meanings set out below for purpose of this Condition 5(b)(iii)(C):

"**SOFR Administrator's Website**" means the website of the Federal Reserve Bank of New York (currently, being https://www.newyorkfed.org/markets/reference-rates/sofr-averages-and-index), or any successor source;

"**SOFR Benchmark Replacement Date**" means the date of occurrence of a Benchmark Event with respect to the then-current Benchmark;

"**SOFR Benchmark Transition Event**" means the occurrence of a Benchmark Event with respect to the then-current Benchmark;

"**SOFR Rate Cut-Off Date**" has the meaning given in the relevant Pricing Supplement; and

"**U.S. Government Securities Business Day**" or "**USBD**" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(iv) ***Benchmark Replacement for Floating Rate Notes (other than Floating Rate Notes which specify the Reference Rate as SOFR)***: In addition, notwithstanding the provisions of this Condition 5(b), if the Issuer determines that a Benchmark Event has occurred in relation to the relevant

Reference Rate specified hereon when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Reference Rate, then the following provisions shall apply:

(A) Independent Adviser

The Issuer shall use its reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine, no later than five business days prior to the relevant Interest Determination Date relating to the next succeeding Interest Accrual Period (the "**IA Determination Cut-off Date**"), a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(b)(iv)(B)) and, in either case, an Adjustment Spread if any (in accordance with Condition 5(b)(iv)(C)) and any Benchmark Amendments (in accordance with Condition 5(b)(iv)(D)).

An Independent Adviser appointed pursuant to this Condition 5(b)(iv)(A) shall act in good faith as an expert and in consultation with the Issuer. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Fiscal Agent, the Paying Agents, the Noteholders or the Couponholders for any determination made by it pursuant to this Condition 5(b)(iv).

If (x) the Issuer is unable to appoint an Independent Adviser, or (y) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate prior to the IA Determination Cut-off Date, the Issuer (acting in a reasonable manner) may determine a Successor Rate or, failing which, an Alternative Rate. However, if no Successor Rate or Alternative Rate is determined prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided, in this Condition 5(b)(iv).

(B) Successor Rate or Alternative Rate

If the Independent Adviser or the Issuer (acting in a reasonable manner) (as applicable) determines that:

(I) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 5(b)(iv)(C)) subsequently be used in place of the Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(b)(iv)); or

(II) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 5(b)(iv)(C)) subsequently be used in place of the Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(b)(iv)).

(C) Adjustment Spread

If the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines (x) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as applicable) and (y) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as applicable). If the Independent Adviser or the Issuer (acting in a reasonable manner) (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Rate (as applicable) will apply without an Adjustment Spread.

(D) Benchmark Amendments

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(b)(iv) and the Independent Adviser or the Issuer (acting in good faith and in a commercially reasonable manner) (as applicable) determines (x) that amendments to these Conditions and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (y) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5(b)(iv)(E), without any requirement for the consent or approval of Noteholders, vary these Conditions and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Fiscal Agent of a certificate signed by two Directors of the Issuer pursuant to Condition 5(b)(iv)(E), the Fiscal Agent shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Agency Agreement), provided that the Fiscal Agent shall not be obliged so to concur if in the opinion of the Fiscal Agent doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Fiscal Agent in these Conditions or the Agency Agreement (including, for the avoidance of doubt, any supplemental agency agreement) in any way.

In connection with any such variation in accordance with this Condition 5(b)(iv), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(E) Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 5(b)(iv) will be notified promptly by the Issuer to the Fiscal Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 14, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Fiscal Agent of the same, the Issuer shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer:

(I) confirming (x) that a Benchmark Event has occurred, (y) the Successor Rate or, as the case may be, the Alternative Rate and, (z) where applicable, any Adjustment Spread and/or the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 5(b)(iv); and

(II) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or (in either case) the applicable Adjustment Spread.

The Fiscal Agent shall display such certificate at its offices, for inspection by the Noteholders at all reasonable times during normal business hours.

The Fiscal Agent shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any)

and the Benchmark Amendments (if any) and without prejudice to the Fiscal Agent's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Fiscal Agent, the Calculation Agent, the Paying Agents and the Noteholders.

(F) Survival of Reference Rate

Without prejudice to the obligations of the Issuer under Condition 5(b)(iv)(A), (B), (C) and (D), the relevant Reference Rate specified hereon and the provisions provided for in Condition 5(b)(iii) will continue to apply unless and until a Benchmark Event has occurred.

(v) ***Benchmark Replacement (SOFR):*** The following provisions shall apply if Benchmark Event (SOFR) is specified as applicable in the relevant Pricing Supplement:

(A) Benchmark Replacement

If the Issuer or its designee determines on or prior to the relevant Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the-then current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

(B) Benchmark Replacement Conforming Changes

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, any of the Agents shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required to give effect to this Condition 5(b)(v). Noteholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by any of the Agents (if required). Further, none of the Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(C) Decisions and Determinations

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 5(b)(v), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (i) will be conclusive and binding absent manifest error, (ii) will be made in

the sole discretion of the Issuer or its designee, as applicable, and (iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

(D) Definitions

The following defined terms shall have the meanings set out below for purpose of Conditions 5(b)(iii)(C) and 5(b)(v):

"**Benchmark**" means, initially, the relevant SOFR Benchmark specified in the relevant Pricing Supplement; provided that if the Issuer or its designee determines on or prior to the Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the relevant Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then "**Benchmark**" means the applicable Benchmark Replacement;

"**Benchmark Event**" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(I) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(II) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(III) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(I) the sum of:

(a) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and

(b) the Benchmark Replacement Adjustment;

(II) the sum of:

(a) the ISDA Fallback Rate; and

(b) the Benchmark Replacement Adjustment; or

(III) the sum of:

(a) the alternate reference rate that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Floating Rate Notes at such time; and

(b) the Benchmark Replacement Adjustment;

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(I) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(II) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(III) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any

daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Floating Rate Notes at such time;

"**Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary);

"**Benchmark Replacement Date**" means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(I) in the case of sub-paragraph (I) or (II) of the definition of "Benchmark Event", the later of:

(i) the date of the public statement or publication of information referenced therein; and

(ii) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(II) in the case of sub-paragraph (III) of the definition of "Benchmark Event", the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"**designee**" means a designee as selected and separately appointed by the Issuer in writing;

"**ISDA Definitions**" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"**Reference Time**" with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Simple SOFR Average or Compounded Daily SOFR is specified in the relevant Pricing Supplement) or SOFR Index Determination Time (where SOFR Compounded Index is specified in the relevant Pricing Supplement); or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Issuer or its designee after giving effect to the Benchmark Replacement Conforming Changes;

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(vi) ***Linear Interpolation***: Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate. For the purposes of this Condition 5(b)(vi), "**Applicable Maturity**" means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

(vii) ***Rate of Interest for Index Linked Interest Notes***: The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined by the Calculation Agent in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined by the Calculation Agent in the manner specified hereon.

(e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph.

(ii) If any Maximum Rate of Interest or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant shall be rounded up) and (z) all currency amounts that fall due

and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the countries of such currency.

(h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication

of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) **Definitions:** In these Conditions (other than in Conditions 5(b)(iii)(C) and 5(b)(v)), unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Adjustment Spread**" means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case, to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body;

(ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines is recognised or acknowledged as being customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as applicable); or

(iii) if the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines that no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in a reasonable manner) to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this sub-paragraph (III) only, of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Noteholders and Couponholders.

"**Alternative Rate**" means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its discretion (acting in a reasonable manner) is most comparable to the relevant Reference Rate.

"**Benchmark Event**" means, in respect of a Reference Rate:

(i) such Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or

(ii) a public statement by the administrator of such Reference Rate that it has ceased or that it will cease publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate); or

(iii) a public statement by the supervisor of the administrator of such Reference Rate that such Reference Rate has been or will be permanently or indefinitely discontinued; or

(iv) a public statement by the supervisor of the administrator of such Reference Rate as a consequence of which such Reference Rate will be prohibited from being used either generally, or in respect of the Notes, or that its use will be subject to restrictions or adverse consequences; or

(v) a public statement by the supervisor of the administrator of such Reference Rate that, in the view of such supervisor, such Reference Rate is or will be no longer representative of an underlying market or the methodology to calculate such Reference Rate has materially changed; or

(vi) it has become unlawful for any Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using such Reference Rate,

provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (ii) and (iii) above, on the date of the cessation of publication of the Reference Rate or the discontinuation of the Reference Rate, as the case may be, (b) in the case of sub-paragraph (iv) above, on the date of the prohibition or restriction of use of the Reference Rate and (c) in the case of sub-paragraph (v) above, on the date with effect from which the Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

"**Business Day**" means:

(i) in the case of a currency other than euro and Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the T2 is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual — ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365

(iii) if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366

(iv) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case Dl will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and Dl is greater than 29, in which case D_2 will be 30.

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case Dl will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30.

(vii) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(viii) if "**Actual/Actual-ICMA**" is specified hereon,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date.

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser of recognised standing and with appropriate expertise, in each case appointed by the Issuer at its own expense under Condition 5(b)(iv);

"**Interest Accrual Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Period Date and each successive period beginning on and including an Interest Period Date and ending on but excluding the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling, Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR.

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified hereon.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Benchmarks Supplement**" means the Benchmarks Supplement (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified hereon)) published by the International Swaps and Derivatives Association, Inc.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as amended and supplemented and published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon and, if specified as such hereon, as supplemented by the ISDA Benchmarks Supplement.

"**Margin**" has the meaning given in the relevant Pricing Supplement.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of the Notes and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Banks**" means, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market and, in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Chinese Yuan in the Hong Kong inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

"**Reference Rate**" means the rate specified as such hereon.

"**Relevant Nominating Body**" means, in respect of a reference rate:

(i) the central bank for the currency to which the reference rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the reference rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate, (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon or such other page, section, caption, column or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**Successor Rate**" means the rate that the Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

"**T2**" means the Trans-European Automated Real-time Gross Settlement Express Transfer System or any successor or replacement for that system.

(k) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the

Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6 REDEMPTION, PURCHASE AND OPTIONS

(a) **Redemption by Instalments and Final Redemption:**

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) **Early Redemption:**

(i) Zero Coupon Notes:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield

(which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) ***Other Notes***: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note) or, at any time, (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of any Tax Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the

Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment.

(d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

(g) **Purchases:** The Issuer and its Subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(h) **Cancellation:** All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged.

Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7 PAYMENTS AND TALONS

(a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be:

(i) in the case of a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank; and

(ii) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

In this Condition 7(a), "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the T2.

(b) **Registered Notes:**

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifth (in the case of Renminbi) and fifteenth (in the case of a currency other than Renminbi) day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made:

(x) in the case of a currency other than Renminbi, in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first-named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank; and

(y) in the case of Renminbi, by transfer to the registered account of the Noteholder.

In this Condition 7(b)(ii), "**registered account**" means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

(c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments subject to Fiscal Laws:** Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto.

(e) **Appointment of Agents:** The Fiscal Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent(s) act solely as

agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the CMU Lodging and Paying Agent, any other Paying Agent, any Registrar, any Transfer Agent or any Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) the Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (iv) one or more Calculation Agent(s) where the Conditions so require, and (v) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and Receipts and unexchanged Talons:**

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index linked Notes), the Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

8 TAXATION

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the PRC or the

relevant tax jurisdiction of the Issuer specified hereon (a "**Tax Jurisdiction**") or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer by or within the PRC up to and including the aggregate rate applicable on the date on which agreement is reached to issue the first Tranche of the Notes (the "**Applicable Rate**"), the Issuer will increase the amounts paid by it to the extent required so that the net amount received by Noteholders and Couponholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer is required to make a deduction or withholding (i) by or within the PRC in excess of the Applicable Rate or (ii) by or within a Tax Jurisdiction other than the PRC, the Issuer shall pay such additional amounts ("**Additional Tax Amounts**") as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Tax Amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) Other connection: to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of the Note, Receipt or Coupon; or

(b) Presentation more than 30 days after the Relevant Date: presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on presenting it for payment on the thirtieth day.

As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any Additional Tax Amounts that may be payable under this Condition 8.

9 PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 EVENTS OF DEFAULT

If any of the following events ("**Events of Default**") occurs and is continuing, the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable unless such event of default shall have been remedied prior to the receipt of such notice by the Fiscal Agent:

(a) **Non-Payment:** the Issuer fails to pay the principal of or any interest on any of the Notes when due and such failure continues for a period of 30 days; or

(b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations in the Notes which default is incapable of remedy or is not remedied within 45 days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder; or

(c) **Cross-Default:** (A) any other present or future Public External Indebtedness of the Issuer or any of its Subsidiaries becomes due and payable prior to its stated maturity by reason of any actual default, event of default or the like (howsoever described), or (B) any such Public External Indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, provided that the aggregate amount of the Public External Indebtedness in respect of which one or more of the events mentioned above in this Condition 10(c) have occurred equals or exceeds U.S.$25,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or

(d) **Insolvency:** the Issuer or any of its Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Subsidiaries; or

(e) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Subsidiaries, or the Issuer ceases or threaten to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the

Noteholders or (ii) in the case of a Subsidiary, whereby the undertaking and assets of the Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries; or

(f) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes.

11 MEETING OF NOTEHOLDERS AND MODIFICATIONS

(a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum Rate of Interest and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum Rate of Interest and/or Maximum Rate of Interest, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than 25 per cent. in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Agency Agreement provides that a resolution in writing signed by or on behalf of the Noteholders of not less than 90 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(b) **Modification of Agency Agreement:** The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

12 REPLACEMENT OF NOTES, CERTIFICATES, RECEIPTS, COUPONS AND TALONS

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13 FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (except for the first payment of interest and if applicable, the timing for notification to the NDRC, the approvals from CBIRC in the case the Notes is issued by the Bank and the filing of the Notes under the PBOC Circular. For the avoidance of doubt, references in these Conditions to "**Issue Date**" shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "**Notes**" shall be construed accordingly.

14 NOTICES

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in Hong Kong. So long as the Notes are listed on The Stock Exchange of Hong Kong Limited and the rules of that Exchange so require, notices to holders of the Notes shall also be published in a daily newspaper with general circulation in Hong Kong (which is expected to be the South China Morning Post in Hong Kong).

If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 14.

15 CURRENCY INDEMNITY

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

16 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

17 GOVERNING LAW AND JURISDICTION

(a) **Governing Law:** The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to the Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the holder of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) **Service of Process:** The Issuer irrevocably agrees to receive service of process at its branch, Agricultural Bank of China London Branch's registered office at 7th Floor, 1 Bartholomew Lane, London EC2N 2AX in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 14. Nothing shall affect the right to serve process in any manner permitted by law.

THE GLOBAL CERTIFICATE

INITIAL ISSUE OF NOTES

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or a sub-custodian for the HKMA as operator of the CMU.

Upon the initial deposit of a Global Note with the Common Depositary or with a sub-custodian for the HKMA as operator of the CMU or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream, Luxembourg or (ii) the HKMA and delivery of the relative Global Certificate to the Common Depositary or the sub-custodian for the HKMA as operator of the CMU (as the case may be), Euroclear or Clearstream, Luxembourg or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

Save as provided in the following paragraph, each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules shall be the only person(s) entitled (or in the case of Registered Notes, directed or deemed by the CMU as entitled) to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

EXCHANGE

Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the "C Rules" or in a transaction to which TEFRA is not applicable (as to which, see "*Summary of the Programme — Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "*Partial Exchange of Permanent Global Notes*" below, in part for Definitive Notes or, in the case of (i) below, Registered Notes:

(i) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or the CMU or any other clearing system (an "**Alternative Clearing System**") and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or

(ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Global Certificates

If the relevant Pricing Supplement states that the Notes are to be represented by a Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or the CMU or an Alternative Clearing System.

These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2 may only be made in part:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so;

(ii) if principal in respect of any Notes is not paid when due; or

(iii) with the prior consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to (i) or (ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

Delivery of Notes

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent). In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be. Global Notes and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"**Exchange Date**" means (i) in relation to an exchange of a temporary Global Note to a permanent Global Note, the day falling after the expiry of 40 days after its issue date; or (ii) in relation to an exchange of a permanent Global Note to a Definitive Note, a day falling not less than 60 days or in the case of exchange following failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the cities in which the relevant clearing systems are located.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Notes contain provisions that apply to the Notes that they represent, some of which modify the effect of the Conditions set out in this Offering Circular. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes.

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note are credited (as set out in the records of the CMU) at the close of business on the Clearing System Business Day immediately prior to the date for payment and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose. For the purposes of this paragraph, "**Clearing System Business Day**" means a day on which the CMU is operating and open for business.

Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note or a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

Cancellation

Cancellation of any Note represented by a permanent Global Note or Global Certificate that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note or Global Certificate.

Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its respective subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

The Option of the Issuer

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain, in the case of Bearer Notes, the certificate numbers of Notes drawn or, in the case of Registered Notes, the holder of the Notes in respect of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg, the CMU or any other clearing system (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note (in accordance with the standard procedures of the relevant clearing system) giving notice to the Fiscal Agent or (in respect of Notes represented by a Global Certificate) the Registrar or Transfer Agent or (in respect of Notes lodged with the CMU) the CMU Lodging and Paying Agent within the time limits relating to the deposit of

Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note or Global Certificate to the Fiscal Agent, the relevant Registrar, a Transfer Agent or the CMU Lodging and Paying Agent (or, in each case, to a Paying Agent acting on their behalf), as the case may be, for notation.

Notices

So long as any Notes are represented by a Global Note or Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream, Luxembourg or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the CMU in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate, and any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to the CMU.

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes or Global Certificates. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Pricing Supplement dated [•]
Agricultural Bank of China Limited [[•] Branch]

Issue of *[Aggregate Nominal Amount of Tranche] [Title of Notes]*
under the U.S.$15,000,000,000 Medium Term Note Programme

[Notification under Section 309B(1)(c) under the SFA: In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products]/[capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded]/[Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.)][1]

PRIIPs REGULATION — PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; [or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**")]. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Notes are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is either one (or both) of the following: (i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**")[; or (ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the Public Offers and Admissions to Trading Regulations 2024]. Consequently no [key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**")]/[disclosure document required by the FCA Product Disclosure Sourcebook

[1] For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

(the "**DISC**")] for offering, selling or distributing the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the [UK PRIIPs Regulation]/[DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024].

[MiFID II product governance/Professional investors and ECPs only target market — Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*.] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[UK MiFIR product governance/Professional investors and ECPs only target market — Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*.] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[Where interest, discount income, early redemption fee or redemption premium is derived from any of the Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities (subject to certain conditions) under the Income Tax Act 1947 of Singapore (the "**Income Tax Act**"), shall not apply if such person acquires such Notes using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, early redemption fee or redemption premium derived from the Notes is not exempt from tax (including for the reasons described above) shall include such income in a return of income made under the Income Tax Act.][2]

[2] For QDS eligible notes.

[The following language applies if the Notes are to be listed on The Stock Exchange of Hong Kong Limited.

This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only.

The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme or the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer, the Bank or the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Notice to Hong Kong investors: The Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

This document (read together with the Offering Circular) includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Bank and the Group. Each of the Issuer and the Bank accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.]

The document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated [•] [and the Supplemental Offering Circular dated *[date]*]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement [,/and the Offering Circular [and the Supplemental Offering Circular].

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated [•]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering

Circular dated [•] [and the supplemental Offering Circular dated [*date*]], save in respect of the Conditions which are extracted from the Offering Circular dated [•] and are attached hereto.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.]

1	Issuer:	Agricultural Bank of China Limited [[•] Branch] *[Address]*
2	[(i)] Series Number:	[•]
	[(ii) Tranche Number (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)]	[•]
	[(iii)] Tax Jurisdiction	[•]
3	Specified Currency or Currencies:	[•]
4	Aggregate Nominal Amount:	
	(i) Series:	[•]
	[(ii) Tranche:	[•]]
5	[(i)] Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] *(in the case of fungible issues only, if applicable)*]
	[(ii) Gross/Net proceeds:	[•] *(Required only for listed issues)*]
6	(i) Specified Denominations:	[•][(1)]
	(ii) Calculation Amount[(4)]:	[•]
7	(i) Issue Date:	[•]
	(ii) Interest Commencement Date:	[*Specify*/Issue date/Not Applicable]
8	Maturity Date:	[specify date *(for Fixed Rate Notes)* or *(for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*][(2)]

9	Interest Basis:	[[•] per cent. Fixed Rate] *[specify reference rate]* +/– [•] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (*specify*)] (further particulars specified below)
10	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (*specify*)]
11	Change of Interest or Redemption/ Payment Basis:	*[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
12	Put/Call Options:	[Put] [Call] *(NB: HKMA approval will be required in the case of Subordinated Notes)* [(further particulars specified below)]
13	Status of the Notes:	[Senior Notes/Subordinated Notes]
14	[NDRC approval(s)/reporting:]	The NDRC Certificate of Examination and Registration was issued on [•] The requisite information and documents in connection with the Notes shall be provided to the NDRC on or before [•]
15	Listing:	[•]/Other (*specify*)/None]
16	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17	Fixed Rate Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i) Rate[(s)] of Interest:	[•] per cent. per annum [payable [annually/semi-annually/quarterly/ monthly] in arrear]
	(ii) Interest Payment Date(s):	[•] in each year[(3)] [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]*/not adjusted]
	(iii) Fixed Coupon Amount[(s)]:	[•] per Calculation Amount[(4)]
	(iv) Broken Amount:	[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•] *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)] and the Interest Payment Date(s) to which they relate]*
	(v) Day Count Fraction (Condition 5(j)):	[30/360/Actual/Actual (ICMA/ISDA)/ Other] *(Day count fraction should be Actual/Actual-ICMA for all fixed rate issues other than those denominated in US dollars or Hong Kong dollars, unless the client requests otherwise)*
	(vi) Determination Date(s) (Condition 5(j)):	[•] in each year. *[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]*[(5)]
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/give details]
18	Floating Rate Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Interest Period(s):	[•]
	(ii) Specified Interest Payment Dates:	[•]

(iii) Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
(iv) Business Centre(s) (Condition 5(j)):	[•]
(v) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/Screen Rate Determination (SOFR)/ISDA Determination/other *(give details)*]
(vi) Interest Period Date(s):	[Not Applicable/specify dates] *(Not applicable unless different from Interest Payment Date)*
(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[•]
(viii) Screen Rate Determination (Condition 5(b)(iii)(B)):	
— Reference Rate:	[EURIBOR/HIBOR/CNH HIBOR, *Specify reference rate*]
— Interest Determination Date:	*[[•] [TARGET] Business Days in [specify city] for [specify currency] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]]*
— Relevant Screen Page:	[•]
(ix) Screen Rate Determination (SOFR) (Condition 5(b)(iii)(C)):	
— Reference Rate:	SOFR Benchmark — [Simple SOFR Average/Compounded Daily SOFR/SOFR Compounded Index]
— Compounded Daily SOFR Method:	[Not Applicable/SOFR Observation Lag/ SOFR Observation Shift/SOFR Payment Delay/SOFR Lockout — *used for Compounded Daily SOFR only*]

—	Interest Determination Date(s):	[The [•] U.S. Government Securities Business Day prior to the last day of each Interest Accrual Period — *only applicable in the case of Simple SOFR Average/SOFR Observation Lag/SOFR Observation Shift/ SOFR Lockout/SOFR Compounded Index*] [The Interest Period Date at the end of each Interest Period, provided that the Interest Determination Date with respect to the final Interest Accrual Period will be the U.S. Government Securities Business Day immediately following the relevant SOFR Rate Cut-Off Date — *only applicable in the case of SOFR Payment Delay*]
—	Lookback Days:	[[•] U.S. Government Securities Business Days — *used for SOFR Lag only*]/[Not Applicable]
—	SOFR Observation Shift Days:	[[•] U.S. Government Securities Business Days — *used for the SOFR Observation Shift or SOFR Compounded Index only*]/ [Not Applicable]
—	SOFR Rate Cut-Off Date:	[The date falling [•] Business Days prior to the end of each Interest Accrual Period, the Maturity Date or the date fixed for redemption, as applicable — *used for only Simple SOFR Average (if applicable), Compounded Daily SOFR (if applicable) — SOFR Payment Delay or SOFR Lockout only*]/[Not Applicable]
—	Interest Payment Delay Days:	[•] Business Days — *used for SOFR Payment Delay only*]/[Not Applicable]
(x)	ISDA Determination (Condition 5(b)(iii)(A)):	
—	Floating Rate Option:	[•]
—	Designated Maturity:	[•]
—	Reset Date:	[•]
—	ISDA Definitions: (if different from those set out in the Conditions)	[2000/2006]

	— ISDA Benchmarks Supplement:	[Applicable/Not Applicable]
	(xi) Linear Interpolation:	Not Applicable/Applicable — the Rate of Interest for the [long/short] [first/last] Interest Accrual Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
	(xii) Margin(s):	[+/–] [•] per cent. per annum
	(xiii) Minimum Rate of Interest:	[•] per cent. per annum
	(xiv) Maximum Rate of Interest:	[•] per cent. per annum
	(xv) Day Count Fraction (Condition 5(j)):	[•]
	(xvi) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[Benchmark Event/Benchmark Event (SOFR)/*specify if fallback provisions different from those set out in the Conditions*]
19	Zero Coupon Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Amortisation Yield (Condition 6(b)):	[•] per cent. per annum
	(ii) Day Count Fraction (Condition 5(j)):	[•]
	(iii) Any other formula/basis of determining amount payable:	[•]
20	Index Linked Interest Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Index/Formula:	[Give or annex details]
	(ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]):	[•]

	(iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[•]
	(iv) Interest Period(s):	[•]
	(v) Specified Interest Payment Dates:	[•]
	(vi) Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
	(vii) Business Centre(s) (Condition 5(j)):	[•]
	(viii) Minimum Rate of Interest:	[•] per cent. per annum
	(ix) Maximum Rate of Interest:	[•] per cent. per annum
	(x) Day Count Fraction (Condition 5(j)):	[•]
21	Dual Currency Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Rate of Exchange/Method of calculating Rate of Exchange:	[Give details]
	(ii) Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[•]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[•]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[•]
	(v) Day Count Fraction (Condition 5(j)):	[•]

PROVISIONS RELATING TO REDEMPTION

22	Call Option	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[•] per Calculation Amount
	(b) Maximum Redemption Amount:	[•] per Calculation Amount
	(iv) Notice period:	[•]
23	Put Option	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
	(iii) Notice period:	[•]
24	Final Redemption Amount of each Note	[•] per Calculation Amount
25	Early Redemption Amount	
	(i) Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons (Condition 6(c)) or Event of Default (Condition 10(a) or 10(b)) and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[•]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

26	Form of Notes:	[Bearer Notes/Registered Notes] *[Delete as appropriate]* [temporary Global Note exchangeable for a permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note] [temporary Global Note exchangeable for Definitive Notes on [•] days' notice] [permanent Global Note/Certificate exchangeable for Definitive Notes/Certificates in the limited circumstances specified in the permanent Global Note/Certificate]
27	Financial Centre(s) (Condition 7[(h)]) or other special provisions relating to payment dates:	[Not Applicable/*Give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which item 16(ii), 17(iv) and 19(vii) relate*]
28	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
29	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
30	Details relating to Instalment Notes:	[Not Applicable/*give details*]
	(i) Instalment Amount(s):	[•]
	(ii) Instalment Date(s):	[•]
	(iii) Minimum Instalment Amount:	[•]
	(iv) Maximum Instalment Amount:	[•]
31	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]

32	Consolidation provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
33	Other terms or special conditions:	[Not Applicable/*give details*][(7)]

DISTRIBUTION

34	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilisation Manager (if any):	[Not Applicable/*give name*]
35	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
36	U.S. Selling Restrictions	Reg. S Category 2; TEFRA D/TEFRA C/ TEFRA Not Applicable]
37	Additional selling restrictions:	[Not Applicable/*give details*]
38	Singapore Sales to Institutional Investors and Accredited Investors only	[Not Applicable/Applicable]

OPERATIONAL INFORMATION

39	ISIN Code:	[•]
40	Common Code:	[•]
41	CMU Instrument Number:	[•]
42	Legal Entity Identifier:	[•]
43	Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and the CMU Service and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
44	Delivery:	Delivery [against/free of] payment
45	Calculation Agent	[•]
46	Additional Paying Agents (if any):	[•]

GENERAL

47	The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of [•], producing a sum of (for Notes not denominated in U.S. dollars):	[Not Applicable/U.S.$[•]]
48	In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong:	[Not Applicable/Luxembourg]
49	In the case of Bearer Notes, specify the location of the office of the Fiscal Agent if other than London:	[Not Applicable/Hong Kong]
50	Private Bank Rebate:	[A rebate of [•] basis points is being offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.]/[Not Applicable]
51	Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent:	[*Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent — OCs to provide*]/[Not Applicable]
52	Marketing and Investor Targeting Strategy	[*As indicated in the Offering Circular*]/ [*if different from the programme OC*]

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.$15,000,000,000 Medium Term Note Programme of Agricultural Bank of China Limited [[•] Branch.]

[STABILISING

In connection with the issue of any Tranche of Notes, one or more of the Dealers named as Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in this Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.]

[MATERIAL ADVERSE CHANGE STATEMENT

[Except as disclosed in this document, there/There][(8)] has been no significant change in the financial or trading position of the Issuer or of the Group since *[insert date of last audited accounts or interim accounts (if later)]* and no material adverse change in the financial position or prospects of the Issuer or of the Group since *[insert date of last published annual accounts]*.]

[USE OF PROCEEDS

[To be specified if different from the use of proceeds in the Offering Circular].]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

[If the Issuer is not the Hong Kong branch of Agricultural Bank of China Limited, by signing this Pricing Supplement and delivering it to the Fiscal Agent, the Issuer agrees to become a party to the Agency Agreement in place of the Hong Kong Branch (as defined therein).]

Signed on behalf of the Issuer:

By: _____

Duly authorised

Notes:

(1) Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording set out in the Guidance Note published by ICMA in November 2006 (or its replacement from time to time) as follows: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000".

(2) Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

(3) Note that for certain Renminbi or Hong Kong dollar denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: "provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day."

(4) For CMU: For Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 in the case of Renminbi denominated Fixed Rate Notes or to the nearest HK$0.01, HK$0.005 in the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards."

For Euroclear/Clearstream: For Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.000001, CNY0.00000005 in the case of Renminbi denominated Fixed Rate Notes or to the nearest HK$0.0000001, HK$0.00000005 in the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards."

(5) Only to be completed for an issue where the Day Count Fraction is Actual/Actual-ICMA.

(6) If the temporary Global Note is exchangeable for definitives at the option of the holder, the Notes shall be tradeable only in amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided in paragraph 6 and multiples thereof.

(7) If full terms and conditions are to be used, please add the following here:

"The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Offering Circular for the purposes of these Notes and such Conditions will prevail over any other provision to the contrary."

The first set of bracketed words is to be deleted where there is a permanent global Note instead of Notes in definitive form. The full Conditions should be attached to and form part of the Pricing Supplement.

(8) If any change is disclosed in the Pricing Supplement, it will require approval by the Stock Exchange(s). Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Offering Circular rather than in a Pricing Supplement.

CAPITALISATION AND INDEBTEDNESS OF THE BANK

As at 30 June 2025, the Bank had an authorised share capital of CNY350.0 billion divided into 30.7 billion H shares of CNY1.00 each and 319.2 billion A shares of CNY1.00 each. As at the same date, the Bank had a total of 491,537 shareholders, including 19,353 holders of H shares and 472,184 holders of A shares.

The following table sets out the Bank's consolidated capitalisation and indebtedness as at 30 June 2025. This table should be read in conjunction with the 2025 Interim Financial Statements, including the notes thereto, included elsewhere in this Offering Circular.

	As at 30 June 2025	
	Actual	
	(Unaudited) CNY (in millions)	(Unaudited) U.S.$[1] (in millions)
Debts:[2]		
Bonds issued	840,811	117,373
Certificates of deposit issued	352,483	49,205
Other debt securities issued	1,900,744	265,333
Total debt	3,094,038	431,911
Equity:		
Ordinary shares	349,983	48,856
Preference shares	80,000	11,167
Perpetual bonds	385,000	53,744
Capital reserve	173,415	24,208
Surplus reserve	302,271	42,195
General reserve	570,192	79,596
Retained earnings	1,199,509	167,445
Non-controlling interests	6,141	857
Other comprehensive income	82,730	11,549
Total equity	3,149,241	439,617
Total capitalisation[3]	**6,243,279**	**871,528**

Notes:

(1) The translation of Renminbi amounts into U.S. dollar amounts has been made at the rate of CNY7.1636 to U.S.$1.00, which is the exchange rate set forth in the H.10 weekly statistical release of the Board of Governors or the Federal Reserve System of the United States on 30 June 2025.

(2) As at 30 June 2025, in addition to debt, the Bank had other borrowed funds and liabilities, including borrowings from central banks, due to customers, deposits and placements from banks and other financial institutions, financial liabilities held for trading, derivative financial liabilities, financial assets sold under repurchase agreements and financial liabilities at fair value through profit or loss. See the Bank's 2025 Interim Financial Statements including the related notes attached as F-pages to this Offering circular for further details.

(3) Total capitalisation equals total debt plus total equity.

From time to time, the Bank and/or its various branches may issue debt or other regulatory capital securities in various currencies and tenor depending on market conditions.

There has been no material adverse change in the total capitalisation and indebtedness of the Bank, on a consolidated basis, since 30 June 2025.

USE OF PROCEEDS

Unless otherwise specified in the Pricing Supplement, the net proceeds of any Notes issued under the Programme shall be used for the Issuer's general corporate purposes.

DESCRIPTION OF THE BANK

OVERVIEW

The Bank is a leading commercial bank in China in terms of total assets, total loans and total deposits. As at 31 December 2022, 2023 and 2024 and 30 June 2025, the Bank had total assets of CNY33,925.5 billion, CNY39,873.0 billion, CNY43,238.1 billion and CNY46,855.9 billion, respectively, and total loans and advances to customers before allowance for impairment losses of CNY19,763.8 billion, CNY22,614.6 billion, CNY24,906.2 billion and CNY26,729.1 billion, respectively. The Bank's total deposits due to customers (including accrued interest) amounted to CNY25,121.0 billion, CNY28,898.5 billion, CNY30,305.4 billion and CNY31,900.5 billion as at the same dates respectively.

The Bank has one of the leading domestic distribution networks among the Large Commercial Banks in terms of the number of branch outlets. As at 30 June 2025, it had a total number of 22,914 domestic branches. Leveraging its extensive network, the Bank provides a wide range of banking products and services to its corporate and retail customers in China.

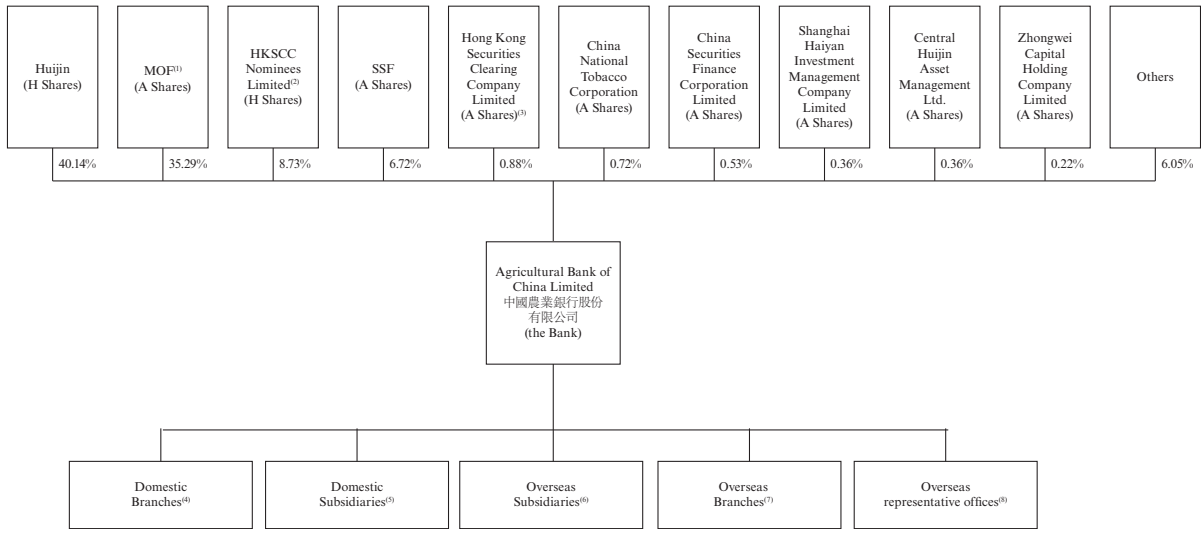
As a leading bank in China's Urban Areas, the Bank has benefited from China's strong economic growth in recent years, and by leveraging its extensive distribution network and large customer base, the Bank was able to further strengthen its market position in the Urban Areas.

The Bank is a leading provider of financial services in China's vast, fast-developing County Areas, with the largest number of domestic branch outlets among the Large Commercial Banks. The Bank refers to such banking business as the "County Area Banking Business" or "Sannong Banking Business". It believes that the established market leadership and vast distribution network of its County Area Banking Business enable it to continue to take advantage of the various growth opportunities arising from the rapid urbanisation and favourable economic and policy developments in the County Areas. As at 31 December 2022, 2023 and 2024 and 30 June 2025, the Bank's loans and advances in the County Areas totalled CNY7,328.3 billion, CNY8,776.0 billion, CNY9,855.0 billion and CNY10,771.3 billion, respectively. The deposits taken by the Bank in the County Areas totalled CNY10,797.7 billion, CNY12,331.7 billion, CNY13,153.3 billion and CNY13,987.7 billion as at the same dates, respectively.

The Bank believes that "Agricultural Bank of China" ("中國農業銀行") is one of the most recognised financial services brands in China. The Financial Stability Board has included the Bank in the list of Global Systemically Important Banks for the past eleven consecutive years since 2014. As at 30 June 2025, Standard & Poor's affirmed long-/short-term issuer credit ratings of the Bank at A/A-1 with stable outlook, Moody's affirmed long-/short-term bank deposit ratings of the Bank at A1/P-1 with stable outlook and Fitch Ratings affirmed long-/short-term issuer default ratings of the Bank at A/F1+ with stable outlook.

Headquartered in Beijing with a nationwide distribution network, as at 30 June 2025, the Bank had 13 overseas branches in Hong Kong, Singapore, Seoul, New York, Dubai International Financial Centre, Tokyo, Frankfurt, Sydney, Luxembourg, Dubai, London, Macao and Hanoi, as well as four representative offices in Vancouver, Chinese Taipei, Sao Paulo and Dushanbe. In addition, the Bank has a number of wholly-owned overseas subsidiaries, including ABC International Holdings Limited and China Agricultural Finance Co., Ltd.

The following chart sets out the Bank's simplified group structure as at 30 June 2025:



Notes:

(1) Pursuant to the Notice on the Full Implementation of Transferring Part of State-owned Capital to Replenish Social Security Funds (Cai Zi [2019] No. 49) jointly issued by the MOF, Ministry of Human Resources and Social Security, State-owned Assets Supervision and Administration Commission of the State Council, State Taxation Administration, and the CSRC, the MOF transferred 13,723,909,471 shares to the state-owned capital transfer account of the SSF on one-off basis. In compliance with the Notice of the State Council on Printing and Distributing the Implementation Plan of Transferring Part of State-owned Capital to Replenish Social Security Funds (Guo Fa [2017] No. 49), the SSF shall be obligated to observe a lock-up period not less than three years from the date on which the shares are credited to the account.

(2) The total number of shares held by HKSCC Nominees Limited represents the number of H Shares held by it in aggregate as a nominee on behalf of all institutional and individual investors registered with it as at 30 June 2025.

(3) The number of shares held by Hong Kong Securities Clearing Company Limited represents the A Shares (northbound shares of Shanghai-Hong Kong Stock Connect) held by it as a nominee for and on behalf of investors from Hong Kong SAR and overseas.

(4) Includes the Head Office, Business Department of the Head Office, four specialised institutions managed by the Head Office, four training institutes, 37 tier-1 branches (including Xinjiang Production and Construction Corps Branch and five branches directly managed by the Head Office), 410 tier-2 branches (including business departments of branches in capital cities of provinces and business departments of provincial branches), 3,313 tier-1 sub-branches (including business departments in municipalities, business departments of branches directly managed by the Head Office and business departments of tier-2 branches), 19,102 foundation-level branch outlets and 42 other establishments.

(5) The Bank's major domestic subsidiaries include ABC Financial Leasing Co., Ltd., ABC-CA Fund Management Co., Ltd., ABC Hexigten Rural Bank Limited, ABC Hubei Hanchuan Rural Bank Limited, ABC Jixi Rural Bank Limited, ABC Ansai Rural Bank Limited, ABC Zhejiang Yongkang Rural Bank Limited, ABC Xiamen Tong'an Rural Bank Limited, ABC Life Insurance Co., Ltd., ABC Financial Asset Investment Co., Ltd. and Agricultural Bank of China Wealth Management Co., Ltd.

(6) The Bank's major overseas subsidiaries include ABC International Holdings Limited, China Agricultural Finance Co., Ltd., Agricultural Bank of China (Luxembourg) Limited and Agricultural Bank of China (Moscow) Limited. In addition, the Bank owns Agricultural Bank of China (UK) Limited in the United Kingdom. After the opening of the Bank's London branch, the financial license of Agricultural Bank of China (UK) Limited was revoked, and the Bank has been undertaking the procedures needed to dissolve Agricultural Bank of China (UK) Limited.

(7) Hong Kong, Singapore, Seoul, New York, Dubai International Financial Center, Tokyo, Frankfurt, Sydney, Luxembourg, Dubai, London, Macau and Hanoi branches.

(8) Vancouver, Chinese Taipei, Sao Paulo and Dushanbe representative offices.

RECENT DEVELOPMENT

2025 Third Quarterly Report

The Bank published its consolidated quarterly interim reports in respect of the nine months ended 30 September 2025 (the "**2025 Third Quarterly Report**") on 30 October 2025. The 2025 Third Quarterly Report contains the unaudited and unreviewed financial information of the Bank and its subsidiaries for the third quarter ended 30 September 2025, prepared under IFRS Accounting Standards. The 2025 Third Quarterly Report is incorporated by reference to the Offering Circular and can be found on the website of the HKSE.

The 2025 Third Quarterly Report has not been and will not be audited or reviewed by the Bank's independent auditors. The 2025 Third Quarterly Report should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. None of the Dealers nor any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them make any representation, or warranty, express or implied, regarding the sufficiency of the 2025 Third Quarterly Report for an assessment of the Bank's financial condition, results of operations and results. Potential investors should exercise caution when using such data to evaluate the Bank's financial condition and results of operation. The 2025 Third Quarterly Report should not be taken as an indication of the expected financial condition or results of operations of the Bank for the relevant full financial year.

THE BANK'S COMPETITIVE STRENGTHS

Balanced Urban and Rural Growth Strategy and improved financial services provided to Sannong and the real economy

With a significant market share and a broad presence in both Urban Areas and County Areas, the Bank is well-positioned to capitalise on China's future growth by providing comprehensive products and services to its customers through an integrated platform that covers both Urban Areas and County Areas. The Bank has also strengthened innovation with respect to serving Sannong through internet finance and accelerated the development and promotion of its e-commerce platform.

For the six months ended 30 June 2025, Urban Areas and County Areas contributed 50.5 per cent. and 49.5 per cent. of the Bank's operating income, respectively. For the year ended 31 December 2024, Urban Areas and County Areas contributed 50.9 per cent. and 49.1 per cent. of the Bank's operating income, respectively. The Bank endeavours to maintain balanced development in both Urban Areas and County Areas to minimise volatility to its business arising from different policies applying to Urban Areas and County Areas.

Rapid urbanisation, increasing business flows between the Urban Areas and the County Areas and the continued shift to a more consumption-driven economy have stimulated strong growth in both Urban Areas and County Areas. The economic development in the County Areas has spurred rapid growth of the banking industry in these areas. Benefitting from its established leadership in both Urban Areas and County Areas, the Bank believes that it is well-positioned to capitalise on China's future growth in both Urban Areas and County Areas, and to broaden and deepen financial services for Sannong.

Extensive nationwide branch outlet network complemented by a multi-channel electronic banking system

The Bank has a nationwide distribution network with a leading number of branch outlets among the Large Commercial Banks. As at 30 June 2025, the Bank had a total number of 22,914 domestic branch outlets. It maintains a strong presence and extensive network in economically developed areas. Such an extensive network enables the Bank to diversify risk and minimises potential adverse influence of regional economic risk on the overall business of the Bank. The Bank is well-positioned to benefit from lower penetration, less competition and higher loan pricing power in rural areas, which complements its urban banking business in economically developed areas.

As an important complement to and extension of its nationwide distribution network, the Bank has a multi-channel electronic banking transaction system consisting primarily of ATMs, Internet banking, telephone banking, mobile phone banking and non-cash transaction terminals. The Bank also has a leading electronic customer service system with Internet portals and a call centre which operates 24 hours a day, seven days a week. The Bank has innovatively launched a number of featured products and modes such as "Fertile Farmland Loan" and "Cold Chain Loan for Farmers". "ABC Huinong Cloud", its digital platform targeting rural areas, had more than 6.70 million customers as at 30 June 2025, and the breadth and depth of the Bank's services expanded continuously.

The Bank's extensive nationwide branch outlet network, together with its multi-channel electronic banking system, provides it with a strong sales platform, which enables it to cross-sell its products and deliver high-quality, convenient and comprehensive services. It has also allowed the Bank to establish a leading position in major product and service offerings including deposits, lending, settlement, custody, agency services and bank cards.

Large and diversified customer base providing significant growth potential

Through the Bank's extensive multi-channel distribution network, the Bank serves a large and diversified corporate and retail customer base.

As at 30 June 2025, the Bank had 12,990.1 thousand corporate banking customers, of which 649.5 thousand had outstanding loans from the Bank. As at the same date, the Bank also had 15,883.6 thousand Renminbi-denominated corporate settlement accounts. In addition

to expanding its customer base, the Bank has focused on optimising its customer base by developing relationships with large industry-leading companies, financial institutions and government agencies. Over the years, the Bank has established extensive strategic cooperative relationships with major enterprises in the leading business sectors in China, including major power grid companies, major power generation companies, major petroleum companies and major telecommunication operators. Such cooperation substantially extended the Bank's customer base to the leading enterprises of the energy, telecommunication, aviation, steel, automobile, chemical and electronic industries. The Bank has also established extensive strategic cooperative relationships with companies in the financial services sector as well as the central government departments and provincial governments. As at 30 June 2025, the Bank had 744.1 thousand institutional customers, and the number of contracted customers for the Bank's third-party depositary services exceeded 87.0 million. The Bank continues to focus on expanding its institutional banking client base and strengthening its cooperation with other banks, securities firms, futures brokerage companies, governments and insurance companies.

The Bank believes that the demand for emerging financial services, such as wealth management, bancassurance and investment, will increase significantly as its customers' personal wealth continues to grow. The Bank believes that its large and diversified customer base will provide significant business growth opportunities, which will in turn enhance its competitive position across various business segments.

Strong deposit base providing stable and low-cost funding

The Bank believes that its large distribution network has enabled it to provide convenient services to its broad customer base across China and establish a strong brand recognition among its customers. The Bank has one of the largest customer deposit bases among all commercial banks in China, with deposits due to customers (including accrued interest) amounting to CNY31,900.5 billion as at 30 June 2025, representing a substantial market share among all PRC banking institutions. The Bank believes that its large deposit base provides it with access to stable source of funding at a relatively low cost, which enables it to grow its loan business and improve its financial results.

The Bank had an average daily balance of CNY19,478.7 billion in domestic retail deposits for the six months ended 30 June 2025. At the same date, the Bank's domestic retail deposits accounted for 63.2 per cent. of its total deposits. This is a result of higher residential savings rate in the County Areas and the Bank's extensive branch network. The Bank believes that its advantage in the retail deposit base will be further strengthened due to the increasing wealth of the population in the County Areas through enlarged government fiscal subsidies to support agricultural development. In addition, the Bank has a higher percentage of demand deposits within its deposit mix. Corporate and retail demand deposits accounted for 39.9 per cent. of its total deposits at 30 June 2025. Having deposits primarily consisting of demand deposits enables the Bank to maintain a lower cost of deposits compared to other commercial banks in China. For the years ended 31 December 2022, 2023 and 2024 and for the six months ended 30 June 2024 and 2025, the Bank's average cost of deposits was 1.70 per cent., 1.78 per cent., 1.63 per cent., 1.70 per cent., and 1.42 per cent. respectively.

Fast growing fee- and commission-based business

It has been an important strategic focus for the Bank to grow its fee- and commission-based business. The Bank's integrated branch and electronic banking network and increasingly diversified product and service portfolio have enabled it to successfully develop its fee- and commission-based business. For the six months ended 30 June 2024 and 2025, the Bank's net fee and commission income was CNY46.7 billion and CNY51.4 billion, respectively. For the years ended 31 December 2022, 2023 and 2024, the Bank's net fee and commission income was CNY81.3 billion, CNY80.1 billion and CNY75.6 billion, respectively. Through product innovation, resources sharing among the Bank's different business segments and cross-selling efforts, the Bank has been able to maintain its strengths in the settlement, asset custody, bank cards and bancassurance businesses.

As at 30 June 2025, the Bank's assets under custody reached CNY18,930.1 billion. AR30 In addition, the Bank had a consistently high ranking in terms of the total number of bank cards issued as at the end of each year from 2006 to 2025. The Bank had issued 1,207.0 million debit cards as at 30 June 2025 and its "Kins Card" ("金穗") brand is widely recognised in the PRC.

Furthermore, given the Bank's large and diversified customer base, it has experienced a rapid growth in certain new business areas. For the six months ended 30 June 2025, net fee and commissions income from its electronic banking services and agency services reached CNY13.0 billion and CNY15.8 billion, respectively. For the year ended 31 December 2024, net fees and commissions income from its electronic banking service and agency service reached CNY27.6 billion and CNY16.2 billion, respectively. In addition, the Bank has also taken initiatives in new business areas that it believes present strong growth potential, such as asset management, wealth management and investment banking. The Bank was one of the first banks to offer CABRC-approved Renminbi-denominated wealth management products. In addition, the Bank was one of the first banks licensed to provide custodian services to mutual funds.

Continuously enhanced risk management and internal control capabilities

In recent years, the Bank gives prominence to risk prevention and has continued to improve its comprehensive risk management system. It prudently prevented and defused risks in key areas, and kept all kinds of risks under control. The Bank has conducted retrospective reviews of and revised the Group's risk appetite and comprehensive risk management strategies, and took a more proactive and forward-looking approach to risk management. The Bank has carried out loan risk classification thoroughly, ensured credit risk prevent in respect of customers with large loan balances and high leverage, and constantly strengthened the recovery and disposal of non-performing assets, maintaining asset quality stable for the Bank. The Bank has optimised the market risk management system and strengthened the monitoring of market risk exposure limit, maintaining its overall market risk stable. In addition, the Bank has strengthened the risk scanning, early warning and penetration monitoring of market-related business, and conducted systematic investigations to control risk exposures. Furthermore, the Bank has built a strong compliance foundation for case prevention by investigating and managing case risks in key areas, and constructing the first and second phases of the disaster recovery system. The Bank has also prepared for implementation of the new regulations on capital supervision and orderly promoted the project construction of new measurement methods for credit risk, market risk and operational risk.

The Bank has also continued to enhance its credit risk management system and implemented national macro-control policies. In this context, the Bank has adopted industry-specific credit guidelines and a customer list-based management system, and implemented a standardised authorisation and credit approval process, where credit applications are reviewed by dedicated professionals. The Bank has further refined its risk management tools and systems by adopting credit limits with respect to its exposure to borrowers, developing a risk reporting system, adopting a 12-category loan classification system and updating its policies in relation to the customer credit rating system for corporate loans. The Bank has also expanded the use of economic capital management tools from credit risk management to market risk and operational risk management, further reinforced the implementation and application of advanced capital management methods and conducted regular financial stability stress tests in coordination with the PBOC and the NFRA. In addition, the Bank has strengthened on-going monitoring and regular validation of its internal retail rating system and improved the accuracy and prudence of its rating system for non-retail clients and retail clients. The Bank also promoted the application of the Internal Models Approach and enhanced its compliance evaluation, as well as applied the Advanced Measurement Approach for operational risk to economic capital measurement and optimised its models in order to improve the stability and sensitivity of its economic capital models.

The Bank also established and improved its internal control and compliance management system and internal audit system. These systems have enabled it to enhance its internal control and compliance management capabilities, strengthen its designated internal audit function and reduce operational risks and incidences of fraud and other non-compliance.

Leading information technology platform

The Bank believes that it has one of the most advanced information technology platforms among all commercial banks in China. The Bank accomplished data centralisation in 2006 and has gradually established a centralised computer network system which, through its national data centre, covers nationwide branch outlets and links teller terminals throughout China. In 2010, the Bank completed the construction of a new-generation core banking system and IT infrastructure, core business system as well as basic data platform. In 2016, the Bank undertook the construction of key technology projects by developing three platforms for financial services, social life and e-commerce and launching various innovative financial products which utilise information technology such as e-accounts. The Bank sped up the digital and intelligent transformation of finance work to empower the high-quality development of business operations.

By establishing an information technology system which effectively integrates the Bank's customer service channels, including physical counters, internet banking, customer service system, phone banking, mobile phone banking and information platforms, the Bank is able to provide its management team with certain financial and operational data on a T + 1 basis and better serve its customers in an efficient and effective manner. The Bank has also focused on calibrating its information systems to meet the requirements of its County Area Banking Business and strengthening its information technology capabilities in support of its continued expansion in the County Areas.

Experienced management team with a proven track record

The Bank has an energetic, experienced and entrepreneurial management team with an established proven track record in the financial services industry. The Bank's senior management team have on average over 20 years of professional experience in the financial industry. All members of the Bank's management team have in-depth knowledge of banking operations and management and, through their working experience with the Bank and at other Chinese financial institutions, have gained an in-depth understanding of China's macroeconomic environment, its banking industry and the financial system in China's County Areas in particular.

The Bank's experienced management team has demonstrated a track record of successfully implementing a series of transformational initiatives, including the Bank's financial restructuring and the improvement of the Bank's corporate governance and risk management. Under the leadership of its management team, the Bank has significantly improved its operations and financial results and is moving toward its goal of becoming a world-class commercial bank.

THE BANK'S STRATEGIES

By leveraging its leading positions in both Urban Areas and County Areas, the Bank believes it will become a world-class financial institution through the successful implementation of the following strategies.

Further strengthen the Bank's leadership in the Urban Areas

The Bank plans to further strengthen its leadership in the Urban Areas by focusing on key customers and selected geographical regions and promoting innovative, high value-added products and services. As part of the Bank's overall strategy,

- The Bank plans to further develop its business in the more economically developed regions, such as the Yangtze River Delta, Pearl River Delta and Bohai Rim, focusing on key cities and other areas with abundant financial resources, such as provincial capitals and regional centres.

- The Bank will continue to focus on large and high-quality customers in its corporate banking business, including industry leading companies, large state-owned enterprises and Chinese subsidiaries of global Fortune 500 companies, while maintaining its leadership in the SME segment. In addition, the Bank plans to tailor its sales and marketing efforts to industry sectors with significant growth potential.

- The Bank will further upgrade its outlets and strengthen its customer segmentation capabilities to enhance cross-selling in its retail banking business. The Bank aims to achieve higher returns through continued focus on high-growth business areas, such as wealth management and private banking.

- The Bank will focus on developing its green finance business by closely following the national decisions and plans, such as establishing a diversified green financial product and service system and by promoting product innovation, enhancing the comprehensive service capability in green finance, and continue to consolidate its brand image as a green bank.

Solidify the Bank's dominant position in the County Areas

The Bank believes that China's vast and fast-growing County Areas present significant growth potential and will be a key driver for China's long-term economic growth. The Bank has a business unit dedicated to the County Area banking market. The Bank intends to leverage its dominant market position and its first-mover advantage, to strengthen its presence and customer penetration in the County Areas, which the Bank believes will deliver more significant profit contribution. Specifically:

- The Bank intends to capture opportunities arising from the urbanisation and industrialisation process to provide customers in the County Areas, particularly industry-leading companies in the County Areas as well as their suppliers, customers and distributors, with comprehensive financial products and services.

- The Bank aims to meet the needs of mid- to high-end retail customers in the County Areas, and to leverage its Huinong Card ("惠農卡") to develop businesses related to new rural pension insurance and new rural cooperative medical insurance schemes.

- The Bank plans to leverage its extensive electronic distribution channels to expand its coverage in the County Areas, provide its customers in the County Areas with more convenient and user-friendly services and increase its operational efficiency in the County Areas.

- The Bank will maintain robust growth of loans in County Areas and continue to allocate additional resources to selected sub-branches in the County Areas and expand service coverage in County Areas to drive the growth of its business in the County Areas.

- The Bank will fully implement the strategic plan of the CPC Central Committee on rural revitalisation. Focusing on the quality service, risk control and business sustainability, the Bank will fully promote the transformations in respect of its service channels, service modes and risk control for the County Area banking business.

Improve financial services provided to Sannong and the real economy

With a focus on supporting the supply-side structural reform, the Bank will bolster the five key actions to "cut overcapacity, reduce inventory, deleverage, lower costs and bolster areas of weakness", specifically:

- The Bank will reduce total credit exposure to borrowers in certain industries with overcapacity and support the transformation and upgrading of enterprises.

- The Bank will implement differentiated approaches for business across the real estate industry, and strongly support the distinctive Anjiadai loan for rural households.

- The Bank will, through ABC Asset Management Co., Ltd., steadily facilitate debt-to-equity swaps in the market and actively provide equity financing to enterprises through wealth management-related financing, industrial funds and debt-equity combination financing.

- The Bank will strictly implement the relevant government policies and regulations on pricing of its services, control fee rates charged by the Bank and stabilise the cost of capital in rural areas.

- The Bank will innovate financing service models, which focus on major infrastructural projects of significance, corporate technological renovation and equipment upgrades, as well as mass entrepreneurship and innovation, to increase its financial supply.

- The Bank will actively serve the major national strategies and projects, innovate to support emerging areas, strengthen green financial services, enhance the accuracy and coverage of inclusive financial services, and strengthen the financial services related to consumption upgrading and people's livelihood.

Promote digital transformation of the Bank

The Bank will actively promote the construction of the Ten Projects of digital transformation, such as the digital village project and mobile banking project, achieving remarkable results in serving the real economy and effective improvement in customer experience and satisfaction. The Bank will accelerate to form a new smart banking model that is technology-led, data-enabled and digitally-operated and create new competitive advantages in the digital era, striving to build the Bank into a smart bank with first-class customer experience and the best in class digital eco-bank in Sannong and inclusive finance areas. Specifically:

- The Bank intends to further strength its integrated management capability of online credit business and to further increase the scale of online financing steadily.

- The Bank aims to further improve the capability of online operation for customers and further optimise the customer experience. The Bank will also further empower its foundation-level branch outlets with digital technologies and promoted the integrated operation of all online and offline channels to offer uninterrupted and diversified services.

- The Bank plans to further improve its scene-based financial service capability and build more customer service scenes.

- The Bank will continue to improve its online marketing capability and expand its service coverage and will continue to realise closed-loop marketing of multiple products through its digital customer relationship management system (DCRM).

- The Bank will continue to improve its digital risk management and control capability and to realise the integrated risk management.

- The Bank intends to further consolidate its data and technology foundation, which effectively ensures its business continuity. The Bank will accelerate the construction and application of the Big Data platform, further expand the data analyst team and further develop the AI application projects. The Bank will further implement the distributed cloud platform project, further promote the construction of an integrated cloud platform, and continue to focus on constructing the disaster recovery system, thereby comprehensively ensuring the Banks's business continuity.

THE BANK'S PRINCIPAL BUSINESSES

The Bank's business segments consist of corporate banking, retail banking, treasury operations and other operations. The following table sets forth, for the periods indicated, the Bank's operating income by business segments.

	For the year ended 31 December						For the six months ended 30 June			
	2022		2023		2024		2024		2025	
(in CNY millions, except for percentages)	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
Corporate banking business	277,544	39.9	271,524	39.0	278,878	39.2	152,123	41.4	138,060	37.3
Retail banking business	355,348	51.1	364,837	52.5	389,859	54.8	203,769	55.5	190,281	51.5
Treasury operations	44,436	6.4	39,214	5.6	18,972	2.7	185	0.1	29,403	7.9
Other businesses	17,955	2.6	19,893	2.9	23,707	3.3	11,063	3.0	12,049	3.3
Total operating income	695,283	100.0	695,468	100.0	711,416	100.0	367,140	100.0	369,793	100.0

Corporate banking

For the six months ended 30 June 2025, corporate banking constitutes the Bank's primary source of income and has consistently contributed 37.3 per cent. of its total operating income. The Bank offers a broad range of corporate banking products and services to corporations and other entities, including state-owned enterprises, private enterprises, foreign-invested enterprises and government agencies, which the Bank collectively refers to as its corporate banking customers. The Bank's corporate banking business consists primarily of corporate loans and deposits, small and micro enterprise banking business, institutional banking services, settlement and cash management, investment banking, trade financing and international settlement. Corporate banking accounted for 39.9 per cent., 39.0 per cent., 39.2 per cent. and 41.4 per cent and 37.3 per cent. of its total operating income in the years ended 31 December2022, 2023 and 2024, and for the six months ended 30 June 2024 and 2025, respectively. The Bank's domestic corporate loans accounted for 54.4 per cent., 56.7 per cent., 56.8 per cent. and 57.9 per cent. of its total loans, and its domestic corporate deposits accounted for 36.5 per cent., 36.8 per cent., 33.7 per cent. and 32.8 per cent. of its total deposits from customers as at 31 December 2022, 2023 and 2024, and as at 30 June 2025, respectively.

Customer base

As at 30 June 2025, the Bank had approximately 12,990.1 thousand corporate banking customers, of which approximately 649.5 thousand had outstanding loans.

As at 30 June 2025, the Bank's major corporate loan customers concentrated in sectors such as (i) manufacturing; (ii) transportation, storage and postal services; (iii) water, environment and public utilities management; (iv) leasing and commercial services and (v) production and supply of electricity, heating, gas and water industries, representing 17.1 per cent., 20.0 per cent., 8.8 per cent., 16.4 per cent. and 11.3 per cent. of its total corporate loans outstanding, respectively. In addition to expanding its customer base, the Bank has focused on promoting digital transformation and optimising the structure of its customer base by developing relationships with large state-owned enterprises, industry-leading companies and government agencies.

Major products and services

Institutional Banking

The Bank offers a comprehensive range of institutional banking services including inter-bank agency business cooperation arrangements, third-party depositary services and banking cooperation. While the Bank's institutional customers include the government and financial institutions, the Bank also provides institutional banking services with respect to people's livelihood. As at 30 June 2025, the Bank had 744.1 thousand institutional customers. In terms of financial services provided to the governments, the Bank deepened the intelligent services for government affairs, and promoted their extension to County Areas and foundation-level governments. The "ZhiXian", a smart service platform for county government affairs, was launched in 742 counties of 31 provinces (including autonomous regions and municipalities directly under the central government) with functions and applications further enriched.

In terms of fiscal and social security, the Bank provided high-quality and efficient financial services for central and local budgetary entities. For three consecutive years up to 30 June 2025, the Bank ranked first in the correspondent banks of centralized payment for the central treasury of the MOF and was awarded excellent agent bank for central non-tax revenue collection by the MOF for 15 consecutive years. The Bank cooperated with over 35.5 thousand schools on its smart campus. In terms of services to financial institutions, the contracted customers for third-party depository services amounted to 87.0 million at the end of June 2025, representing an increase of 5.77 million as compared to the end of the previous year.

Transaction Banking

The Bank offers a range of transactional banking services including accounts and payment settlement, cash management and supply chain financing. The Bank continued to develop the transaction banking system based on accounts and payment settlement. With the focus on key areas, industries and customers, the Bank strengthened product innovation, accelerated online penetration, deepened differentiated integrated marketing, and increased traffic through scenes, to facilitate the high-quality development of transaction banking business.

The Bank fully leveraged the advantages of mobile marketing PAD in outreach marketing, optimized the division of operation between front and back offices, and refined the corporate account opening process, to continuously enhance the quality of services for corporate customers. As at 30 June 2025, the Bank had 15,883.6 thousand corporate CNY-dominated settlement accounts.

Investment banking

Adhering to develop investment banking business to serve the real economy, the Bank provides investment banking services including bond financing, syndicated financing, M&A and restructuring and asset securitisation to its corporate customers. In 2024 and in the first half of 2025, the income of the Bank's investment banking business amounted to CNY12.3 billion and CNY9.7 billion, respectively.

The Bank focused on financing demands of the real economy and actively served the diversified financing needs of customers. By leveraging the advantage of syndicated loan business, the Bank efficiently met the large-scale financing needs of its customers in key sectors. In response to policies, the Bank actively assisted in activating the mergers and acquisitions market, with the balance of M&A loans remaining a leading position among peers. The Bank widely leveraged and integrated diversified funds and worked together to create a "fund matrix". As at the end of 2024, the Bank set up 10 ABC Technology Innovation Funds, providing equity fund supports for more than 40 projects. The Bank also continued to promote business innovation. In 2024, it underwrote the first batch of bonds for large-scale equipment renewals and trade-ins of consumer goods in the market, the first special bond for stabilizing growth and expanding investment, the first Panda bond linked to sustainable development in the cement industry. It also underwrote five market-first securitization projects, including the first equity Covered Bond for science and technology innovation enterprises. It established a matchmaking business system that connected investment and financing, and completed the establishment of business mechanisms and the development and launch of the system. The Bank also sped up digital transformation and improved the quality and efficiency of investment banking services, rolled out the Investment Banking Intelligent Advisory Service System (ABC SISON) (Version 2.0), with the "Inclusive Zone" function to provide one-stop free online integrated advisory services for inclusive users. In the first half of 2025, the Bank actively implemented the pilot policy on M&A loans targeting tech companies, to support their mergers, acquisitions and reorganizations, expanded securitization service methods to support the revitalization of existing assets of the real economy, and established the marketing and cooperation business service system "E-match" to promote institutional development and system support. The Bank also steadily advanced the establishment of AIC equity investment pilot funds and the investment in projects by such funds, and made solid progress in the mutual reinforcement between investment and loans providing stock option arrangement advisory services for over 3,000 technology enterprises. On the digital transformation front, the Bank fully used artificial intelligence technologies, thoroughly advanced the development of the intelligent Q&A system for investment banking, and actively piloted new scenarios for intelligent applications.

Retail banking

The Bank provides its retail banking customers with a broad range of products and services, including retail loans, bank cards, retail deposits, private banking business and other fee- and commission-based products and services.

For the years ended 31 December 2022, 2023 and 2024, and for the six months ended 30 June 2024 and 2025, the Bank's retail banking business generated operating income of CNY355.3 billion, CNY364.8 billion, CNY389.9 billion, CNY203.8 billion and CNY190.3 billion, respectively, representing 51.1 per cent., 52.5 per cent., 54.8 per cent., 55.5 per cent. and 51.5 per cent. of its total operating income for the same years and periods.

As at 31 December 2022, 2023 and 2024, and as at 30 June 2025, the Bank had domestic retail deposits of CNY14,977.8 billion, CNY17,109.7, CNY18,692.2 and CNY20,146.3 billion, representing 60.6 per cent., 60.2 per cent., 62.8 per cent. and 64.1 per cent. of its total deposits.

As at 30 June 2025, the Bank had issued 1,207.0 million debit cards. The Bank maintained a consistently high ranking among all commercial banks in China in terms of the total number of bank cards issued from 2006 to 2024.

Major products and services

Retail loans

As at 31 December 2022, 2023 and 2024, and as at 30 June 2025, the Bank had a total of CNY7,545.3 billion, CNY8,059.9 billion, CNY8,814.2 billion and CNY9,307.4 billion respectively, in domestic retail loans outstanding, which accounted for 38.3 per cent., 35.7 per cent., 35.5 per cent. and 34.9 per cent. of its total loans, respectively.

The Bank provides its customers with floating-rate residential mortgage loans, fixed-rate residential mortgage loans and hybrid-rate residential mortgage loans. The Bank's residential mortgage loans are generally secured by the underlying property being purchased. As at 31 December 2022, 2023 and 2024, and as at 30 June 2025, the Bank's residential mortgage loans outstanding amounted to CNY5,346.6 billion, CNY5,170.8 billion, CNY4,984.6 billion and CNY4,935.4 billion, respectively, which accounted for 70.9 per cent., 64.1 per cent., 56.6 per cent. and 53.0 per cent. of its total domestic retail loans outstanding as at the same dates.

The Bank provides a variety of personal consumption loans including personal credit lines, consumer auto loans, comprehensive consumer loans and retail loans secured by pledges. As at 30 June 2025, the Bank had CNY539.1 billion of personal consumption loans outstanding, representing 5.8 per cent. of its total domestic retail loans.

Loans to private businesses are generally granted to private business owners to meet their funding needs arising from their operations, primarily including loans to finance the operations of private businesses, commercial mortgage loans to private businesses and auto loans to private businesses. As at 31 December 2022, 2023 and 2024, and as at 30 June 2025, the Bank had CNY576.7 billion, CNY746.0 billion, CNY2,494.3 billion and CNY2,922.6 billion in loans to private businesses outstanding, respectively, which accounted for 7.6 per cent., 9.3 per cent., 28.3 per cent. and 31.4 per cent. of its total domestic retail loans outstanding as at the same dates.

The Bank's credit card and quasi-credit card customers are allowed to withdraw or overdraft through its credit consumption function. As at 31 December 2022, 2023 and 2024, and as at 30 June 2025, the outstanding overdraft amounts for the Bank's personal bank cards totalled CNY647.7 billion, CNY700.0 billion, CNY858.8 billion and CNY910.2 billion respectively, which accounted for 8.6 per cent., 8.7 per cent., 9.7 per cent. and 9.8 per cent. of its total domestic retail loans outstanding as at the same dates.

The Bank also offered loans to rural households in 2021 and has offered Huinong E-loan since 2022. As at 31 December 2022, the Bank's outstanding amount for loans to rural households was CNY747.7 billion, which accounted for 9.9 per cent. of its total domestic retail loans outstanding as at the same dates. As at the end of June 2025, the balance of Huinong E-loan reached CNY1.79 trillion, representing an increase of 19.9% as compared to the end of the previous year.

Retail deposits

The Bank offers retail demand deposits and time deposits in Renminbi and foreign currencies to its retail banking customers. Retail demand deposits include general demand deposits and flexible-term deposits.

Retail time deposits consist of general time deposits, call deposits, education savings deposits, and deposits and withdrawals in lump sums, deposits in instalments while withdrawing in lump sums and time deposits with periodic interest payments that can be withdrawn on demand. The Bank currently offers regular time deposit products with terms ranging from three months to five years for Renminbi-denominated deposits and one month to two years for foreign currency-denominated deposits.

As at 31 December 2022, 2023 and 2024, and as at 30 June 2025, the Bank had domestic retail deposits of CNY14,977.8 billion, CNY17,109.7 billion, CNY18,692.2 billion and CNY20,146.3 billion, which accounted for 60.6 per cent., 60.2 per cent., 62.8 per cent. and 64.1 per cent., respectively, of its total deposits. The Bank is one of the leading commercial banks in China in terms of market share expansion.

Bank cards

The Bank offers integrated card products and services to personal customers under the brand name "Kins Card" ("金穗卡"), which consists of Renminbi-denominated debit cards, credit cards, quasi-credit cards and dual-currency credit cards denominated in CNY and U.S. dollars. The Bank launched a new debit card design featuring the artistic concepts of the Chinese cultural IP "Only Green" to integrate its philosophy of financial services for the people, and launched a variety of co-branded debit cards relating to livelihood, culture, and other areas. In 2024, the Bank sped up the digital transformation and innovation of the debit card business, and launched the customized debit card service. The Bank carried out consumption promotions targeting daily life scenarios such as vehicle refueling and supermarket shopping. The Bank also constantly implemented various policies of fee reduction and interest concession. In addition, the Bank optimized the credit card product lines, and launched products such as UnionPay Zunran Platinum Card, MasterCard Global Payment Platinum Card and Visa Global Payment Platinum Card (Olympic Version). The Bank also served popular consumption scenarios such as culture and tourism, overseas and county areas, and took active part in the themed campaigns of the "National Consumption Promotion Month" launched by the Ministry of Commerce and the "Summer Culture & Tourism Consumption Season" launched by the Ministry of Culture and Tourism. The Bank advanced the spending on new energy vehicles in rural areas, and innovated and promoted the instalment products for benefiting farmers.

As at 30 June 2025, the Bank had issued 1,207.0 million debit cards. For the six months ended 30 June 2025, the total transaction volume for the Bank's credit cards reached CNY1.05 trillion. For the years ended 31 December 2022, 2023 and 2024, and for the six months ended 30 June 2024 and 2025, the fee and commission income generated by the Bank's bank card business were CNY15.8 billion, CNY16.3 billion, CNY16.7 billion, CNY8.4 billion, and CNY8.3 billion, respectively.

Private Banking Business

The Bank focuses on family trusts, insurance premium trust, charity trust and enhancing synergies between the domestic and overseas markets and facilitating cross-border financial services. The Bank continued to strengthen the marketing for private banking customers, implemented the "On-the-Wing Initiative" for private banking business, continued to deepen its professional service system and establish private banking centres at the head office level, and strengthened the construction of key wealth management centres at branch level. The Bank accelerated the development of family trust business, and persisted in the promotion of steady asset allocation. The Bank continued to develop the private banking high-end wealth management business, practiced the concept of long-term and steady asset allocation, and enriched new wealth management products such as low volatility and stable returns, ESG themes and Huinong, with the scale of agency sales of asset management and private banking exclusive wealth management products steadily increased. As at 30 June 2025, the number of the Bank's private banking customers reached 279.0 thousand and the balance of assets under management amounted to CNY3.5 trillion.

Treasury operations

The Bank's treasury operations consist primarily of (i) money market activities, (ii) trading book activities, and (iii) banking book activities. In conducting its treasury operations, the Bank seeks to ensure its liquidity and achieves a balance between returns and risks on its investment portfolio, taking into consideration various factors including the market and macroeconomic conditions. For the six months ended 30 June 2025, operating income from the Bank's treasury operations was CNY29,403.0 million.

Money market activities

The Bank's money market activities primarily consist of (i) inter-bank money market activities, repurchase and reverse repurchase transactions and (ii) public market bidding, including bidding for repurchase and reverse repurchase transactions by the PBOC, PBOC bills and national treasury cash administration. The securities underlying the Bank's inter-bank repurchase and reverse repurchase transactions are predominantly Renminbi-denominated PRC government and policy bank bonds, bank acceptance bills and PBOC bills, with a portion of foreign currency-denominated bonds primarily issued by foreign governments and agencies.

The Bank was one of the first banks to be approved by the PBOC to provide SHIBOR quotes. As one of the SHIBOR-quoting banks, the Bank provides daily quotes based on its own liquidity and capital supply and demand. For the six months ended 30 June 2025, the Bank's Renminbi-denominated financing volume was CNY63.8 trillion. For the year ended 31 December 2024, the Bank's Renminbi-denominated financing volume was CNYB219.6 trillion.

Trading Book Activities

The trading book is comprised of financial instruments and commodity positions held for trading, including all derivatives instruments. Any other financial instruments are included in the banking book. The Bank continuously maintained a leading position among the peers in respect of both the bond market-making business and the bond trading business in the inter-bank market, with a steady rise in market share. The Bank provided market-making

quotation services for green bonds to facilitate green and low-carbon development and The Bank also actively served the high-standard opening-up of the bond market, with the market-making transaction volume of the Bond Connect maintaining a leading position in the market.

Banking Book Activities

The Bank continued to enhance the quality and effectiveness of bond investment to serve the real economy. The Bank maintained the investment in government bonds, optimised the investment structure of credit bonds to support the national regional strategy and local economic development, the construction of major projects in transportation, power and energy, green industries and green project development. The Bank optimised investment strategies in a volatile interest rate environment, and rationalised the investment pace considering both the trends in the bond market and the needs of portfolio management.

Asset Management

The Bank offers asset management products and services, such as wealth management, custody service, pension, precious metals and treasury transactions on behalf of customers.

Wealth management

The Bank has a comprehensive portfolio of products for its wealth management services. The Bank established a wealth management subsidiary, Agricultural Bank of China Wealth Management Co., Ltd, in 2019. The Bank actively practiced the philosophy of green development, and continuously launched ESG-themed wealth management products, with 12 such products issued in the first half of 2025. ABC Wealth Management served the vast customers in County Areas. As at 30 June 2025, the scale of rural revitalization Huinong products amounted to CNY55.9 billion. As at 30 June 2025, the Bank received 17 asset management industry awards, including the "Outstanding Bank Wealth Management Company" Yinghua Award from China Fund News and the Golden Pixiu Award for "Financial Institution with Golden Brand Influence of the Year" from the Financial Money. In the first half of 2023, the Bank proactively implemented the requirements for the net worth operation of wealth management products, and steadily carried out wealth management investment. In October 2022, Agricultural Bank of China Wealth Management Co., Ltd. received approval from NFRA to launch a wealth management joint venture with BNP Paribas Asset Management Holding S.A. As at 30 June 2025, the balance of the Group's wealth management products amounted to CNY1,760.3 billion, of which CNY7.0 billion was generated from the Bank.

Custody Service

The Bank has successfully marketed a number of national industrial funds and enterprise annuity projects with market influence. Both of the scale of mutual funds and pension funds under custody exceeded RMB2 trillion. As at 30 June 2025, the Bank had CNY18,930.1 billion of assets under custody, representing an increase of 7.9% as compared to the end of the previous year. As of 30 June 2025, the scale of insurance under the custody exceeded CNY8.0 trillion.

The Bank was awarded the Outstanding Asset Custodian Institution from China Central Depository & Clearing Co., Ltd. for 12 consecutive years, and the Grade A Custodian in the "Annual Participant Evaluation from China Securities Depository and Clearing Corporation Limited" for seven consecutive years. The Bank was also awarded the "Excellent ETF Custodian" of the Yinghua Award by China Fund.

Precious metals

The Bank has steadily developed its precious metal leasing and lending businesses. To meet the demands of different customers for risk hedging and investments, the Bank offers precious metals forward trading and precious metals leasing services for its customers, accelerated the research and development of agency retail spot deferred trading system and gold passbook product, and launched the system development for retail paper gold (silver) business. Targeting retail, corporate and institutional customers, the Bank sped up the establishment of precious metal business system, focusing on the development of products, financing and services. In 2014, the Bank was part of the first batch of banks to obtain international membership at the Shanghai Gold Exchange and to qualify for settlement on its international board. For the six months ended 30 June 2025, the Bank traded 1,809.9 tons of gold and 5,996.1 tons of silver for its own account and on behalf of its customers. For the year ended 31 December 2024, the Bank traded 5,992.3 tons of gold and 12,457.8 tons of silver for its own account and on behalf of its customers.

Treasury transactions on behalf of customers

The Bank is one of the first commercial banks in China approved to provide forward settlement services and other derivative financial products. The Bank also engages in a broad range of treasury transactions on behalf of its corporate and retail banking customers. In addition, the Bank provides settlement, foreign currency trading, foreign currency derivatives trading and treasury services on behalf of its customers through its treasury operations. The Bank actively developed Renminbi settlement services to capitalise on the appreciation of CNY. For the six months ended 30 June 2025, the transaction volume of the Bank's foreign exchange sales and settlements as well as foreign exchange trading on behalf of customers amounted to U.S.$291.7 billion. For the year ended 31 December 2024, the transaction volume of the Bank's foreign exchange sales and settlements as well as foreign exchange trading on behalf of customers amounted to U.S.$549.0 billion.

The Bank steadily developed the counter bond (Zhaishibao) business. In the first half of 2025, the amount of counter distribution of bonds exceeded CNY80.0 billion, supporting major national strategies and making more efforts to serve the real economy.

Pension business

The Bank took the initiative to serve the proactive national strategy in response to population aging, deepened business layout, promoted market cultivation, and helped expand the coverage of the annuity system, with the steady increase of the scale of pension business. The Bank continuously improved the supply of products and services, and strengthened project operation management, to constantly meet customers' diversified service needs and contribute to the building of a multi-tiered and multi-pillar pension

insurance system. As at the end of June 2025, pension funds under entrusted management amounted to CNY345.4 billion, representing an increase of 9.1% as compared to the end of the previous year.

Online Finance

The Bank implemented in-depth operation strategies of data-driven commercialisation and business digitalisation, focused on creating an omni-channel, all-scenario, all-link online operation system, and fully enhanced the value creation and market competitiveness of online channels.

Smart Mobile Banking

The Bank continued to strengthen the construction of online financial service platform and product innovation with mobile banking as the core, improved the intelligent, personalised and exclusive service capabilities of mobile banking, and accelerated the iterative upgrade of versions of the mobile banking. The Bank promoted the construction of mobile banking platform by refining customer classification and providing personalised menu functions, preferential rights and information for different customer groups. The Bank improved the service capabilities of the platform by upgrading the functions, enabling users to access and utilize service functions including feature search, transaction inquiry, and activity navigation through dialogue, delivering various effortless intelligent financial services.. The Bank also improved the "Rural Version" for customers in County Areas, and added exclusive service channels such as Huinong special zone and further enhanced the section of Huinong loan. As at 30 June 2025, the monthly active users (MAU) of mobile banking reached 263.0 million, representing an increase of 12.4 million as compared to 31 December 2024.

Corporate Finance Service Platform

In the first half of 2025, the Bank enhanced the efficiency of its corporate finance service platform. The Bank unveiled features such as voice search and business card sharing in the corporate mobile banking, continuously improving customer interaction experience. The Bank launched the intelligent Q&A assistant to help customers address problems arising in daily use. The Bank also iteratively upgraded mobile corporate banking. The Bank also refined the processes for high-frequency transactions, such as transfer and details inquiry, tightened safety control in login, jump to external links and other features, and realized one-stop processing of services for corporate customers. In addition, the Bank optimized the "Salary Manager" service, enabled intelligent identification of employee card numbers, refined the solutions related to personnel, attendance, salary & tax, welfare and reimbursement, and upgraded the features of electronic payslips and the salary zone.

Online Corporate Banking

The Bank coordinated the high-quality development of online credit businesses focusing on business lines of retail banking, small and micro enterprises, farmers, as well as the supply chain financing. The Bank launched the Enterprise WeChat Bank to-do task prompt and other functions to improve the channel collaboration service ability. The Bank also upgraded the "Inclusive E-station" service platform, launched the special version of "funds, resources and assets management" to meet the mobile financial needs of customers. In addition, the Bank upgraded the "Salary Manager" service. The Bank fully explored

services in corporate payroll scenarios, improved one-stop digital solution for multiple scenarios such as payroll, welfare and reimbursements, and continuously optimised payroll management functions such as electronic payslips and mixed payroll payment to consistently enhance the user experience. Smart Scene-based Finance.

In the first half of 2025, the Bank continued to improve scene-based financial services. In terms of campuses, the Bank enhanced the function of campus funds supervision to support compliance management of school payment funds. In terms of canteens, the Bank promoted Integrity Canteens, providing integrated services for official reception. In terms of government affairs, the Bank introduced account notification from National Healthcare Security Administration, enabling real-time push of medical insurance payments and expenditures information, to improve convenience of services. In terms of travel, the Bank upgraded electrical bicycle charging services, providing information such as nearby charging stations and charging reports. In addition, the Bank improved the service capabilities of open finance, upgraded basic services including contract management, certificate management and parameter management, so as to ensure safety and strengthen risk control. The Bank also further integrated its loan services into scenarios, and exported products such as Internet Quick Loan and mortgage loans for partners.

Digital Renminbi Projects

The Bank accelerated the development of digital Renminbi by cooperating with customers in key industries to provide digital Renminbi services, such as corporate wallet opening, exchange, payment and cash concentration of "parent-child wallet". The Bank cooperated with government platforms to provide convenient payment, corporate tax payment, personal social security payment, provident fund loan granting and other digital Renminbi services.

The Bank actively promoted the application of digital Renminbi in Sannong-related scenes, adding digital Renminbi functions to the smart devices at the Huinongtong service stations, and creating China's first "digital Renminbi demonstration village for rural revitalisation".

Sustainable Finance

Inclusive Finance

Based on the positioning of "*a major bank serving the real economy*", the Bank focused on enhancing the willingness, ability and sustainability of serving small and micro enterprises and other market entities, and helped stabilise market entities, employment and entrepreneurship, and economic growth. As at 30 June 2025, the balance of the Bank's inclusive loans to small and micro enterprises reached CNY3.8 trillion, representing an increase of CNY596.2 billion as compared to the end of the previous year. The number of customers with outstanding loan balance was 5,207.4 thousand, representing an increase of 625.5 thousand as compared to the end of the previous year. The annualised interest rate of newly granted loans in the first half of the year was 3.14 per cent., representing a decrease of 30 bps as compared to the previous year.

In addition, the Bank optimised the construction of inclusive finance service system. The Bank leveraged the advantage of extensive coverage to further decentralise the business focus. The Bank established a two-level inclusive financial specialised institution system at

head office and branches to strengthen the professional service to small and micro enterprises. The Bank continued to build a digital customer service platform for inclusive finance, and improved the financial service functions of "inclusive E station".

The Bank optimized the supply of credit products, actively aligned with the government financing credit information service platform, promoted the application of the "Xinyidai" mode, gave play to the role of data as an element in product innovation, enriched the product system of "Small and Micro E-loan", and continuously enhanced online product service capabilities. The Bank also innovated the online product system of inclusive finance business. The Bank improved the hierarchical and classified product innovation mechanism, enriched the financing scenarios, and created a series of "*ABC E-Loan*" products to meet the financing needs of small and micro enterprises, individual industrial and commercial households, farmers and other inclusive customers. The Bank improved the long-term service mechanism of inclusive finance. The Bank also established differentiated policies and systems for inclusive finance business, implemented special assessment and evaluation for inclusive finance, provided preferential economic capital assessment and internal fund transfer pricing for inclusive loans, and revised policy for liability exemption on due diligence to consolidate the development of inclusive financial business. The Bank also set up a special incentive strategy expense and matched the incentive wages separately, and specified policy for liability exemption conditional on due diligence. In addition, the Bank improved the digital risk control capability for inclusive finance business. The Bank also optimised the risk identification system, made full use of data cross-validation, and implemented the whole-process risk prevention and control, controlling the non-performing rate of inclusive loans within the tolerance range.

Green Finance

The Bank continuously improved the governance structure, service system and risk control mechanism tailored for the requirements of eco-civilization construction and green and low-carbon development, to promote the high-quality development of green finance. In 2024 and the first half of 2025, the Bank incorporated the green and low-carbon requirements into the annual credit policy, and revised the credit policies for industries such as biomass power generation and photovoltaic manufacturing. The Bank also improved the mechanism for the pool of major green finance projects, and strengthened the marketing of key areas including clean energy, green upgrading of infrastructure, and energy conservation and environmental protection, and increased the supply of green credit. The Bank actively underwrote the issuance of green bonds, carried out green bond investment, deepened its cooperation with the National Green Development Fund, and innovated ESG-themed wealth management products, to improve its multi-tiered and multi-dimensional green finance service system. As at 30 June 2025, the balance of green credit exceeded CNY5.7 trillion.

Green Credit

The Bank strengthened policy guidance and optimised resource allocation. The Bank incorporated green and low-carbon requirements into the annual credit policy guideline, Sannong credit policy guideline and inclusive finance credit policy guideline, revised industry-specific credit policies such as fertilisers, livestock, pesticides, pharmaceuticals and textiles, and actively guided the investment of green funds. The Bank also implemented the latest national energy efficiency requirements in industrial policies for industries including steel, petrochemical and electric power to guide the transformation and upgrade of relevant

industries. The Bank implemented differentiated policy arrangements in areas such as authorisation, rating, industry limit and product innovation for qualified green credit business. Furthermore, the Bank issued the Advice on Sannong Financial Products Innovation for 2023, gave priority to establishing innovation bases for Sannong products in the national agricultural green development pilot areas, key ecological protection and high-quality development areas and innovated right pledges like forest carbon sink right. In 2024, the Bank launched the innovative special products such as "State-owned Forest Farm Loan", optimized and promoted scenarios such as smart animal husbandry and smart forestry, and expanded financing channels for green development of Sannong.

In addition, the Bank promoted the construction of the major project pool. The Bank built a pool of major green finance projects, a pool of key projects in energy sectors and a pool of ecological and environmental protection marketing reserve projects. The Bank participated in the construction of "Financial Support Project Management System for Ecological and Environmental Protection" of the Ministry of Ecology and Environment as one of the first batch of cooperative financial institutions.

Green Investment and Financing

The Bank continued to increase its investment in green bonds in primary and secondary market, and supported innovative products such as blue bonds and sustainability-linked bonds. As at 30 June 2025, the green bonds invested for the Bank's own account reached CNY129.2 billion, representing an increase of 11.8 per cent. as compared to the end of the previous year.

For example, ABC-CA Fund Management Co., Ltd. actively promoted green transformation. It formulated an implementation plan for serving high-quality green finance development, improved the ESG investment framework, continuously enriched product layout, and steadily advanced green transformation.

Adhering to the business concept of "green leasing", ABC Financial Leasing Co., Ltd. built its distinctive features of green leasing, established and improved a sound green leasing product system. It formulated a green leasing development plan and incorporated ESG requirements into the comprehensive risk management system. It established and improved industrial chain service model around clean energy, green upgrading of infrastructure, ecological environment, and energy conservation and environmental protection, and promoted the scale expansion, structural optimization, and leading growth rate of green leasing business. As at 30 June 2025, the balance of green leasing assets was CNY64.8 billion, maintaining an industry-leading level.

ABC Life Insurance Co., Ltd. made comprehensive use of diversified investment methods such as stocks and debts to directly or indirectly meet the financial needs of green and low-carbon fields through investing in stocks, funds, equity investment plans, bonds and other products, and effectively enhanced its green financial service capability. The Bank regarded green and low-carbon investment as a key business direction, and proactively built a brand of green for debt-to-equity swap investment. Through the relevant operating subsidiary, the Bank focused on investment in clean energy fields such as new energy power stations, photovoltaic module manufacturing, power batteries and natural gas, and effectively assisted the Group to implement the national goals of peak carbon emissions and carbon neutrality. In the first half of 2025, new green-related investments amounted to CNY669.0 billion.

ABC Financial Asset Investment Co., Ltd. identified green and low-carbon as key areas, promoted the integration of ESG concepts into the investment process and proactively built a brand for green debt-to-equity investment. As at 30 June 2025, the balance of green investment for its own account was CNY39.9 billion, accounting for 36.2% of its debt-to-equity investment balance.

Agricultural Bank of China Wealth Management Co., Ltd. strengthened the concept of green investment and further increased investment in green bonds. It continued to launch ESG-themed wealth management products, issuing 12 new ESG-themed wealth management products in the first half of 2025. As at 30 June 2025, there were a total of 49 ESG-themed wealth management products with a scale of CNY50,898.0 million. Newly increased green bond investments in the first half of 2025 amounted to CNY597.0 million, with a balance of CNY5.5 billion as at 30 June 2025.

Green Investment Banking

By adhering to the green concept in all categories of products and services of its investment banking business, the Bank was committed to developing a leading bank in green investment banking. In the first half of 2025, the Bank provided financing of over CNY240.0 billion for green industries and customers through investment banking products and services such as green syndicated loans, green M&A loans, green bonds, and green asset securitization, representing a year-on-year increase of 30% as compared to the same period of the previous year, with a focus on supporting clean energy, pollution prevention and control, and upgrading of green industries, etc.. The Bank underwrote the first batch of "two new" bonds in the market, supporting equipment renewal and renovation in green sectors such as power transmission and distribution and clean energy. The Bank underwrote several multi-tag bonds focusing on green, carbon neutrality, rural revitalization, scientific and technological innovation. As a shareholder of the National Green Development Fund, the Bank actively participated in the operation of the fund and project investment.

Green Bonds

The Bank has issued a number of green bonds on The Stock Exchange of Hong Kong Limited in the recent years. The net proceeds will be used to finance or refinance the eligible green assets under the green financing framework of overseas branches of the Bank.

Overseas operations

The Bank conducts its overseas operations through its overseas branches, representative offices and subsidiaries. As at 30 June 2025, the Bank had a total of 13 overseas branches, including branches in Chinese Hong Kong, Singapore, Seoul, New York, Dubai International Financial Centre (DIFC), Tokyo, Frankfurt, Sydney, Luxembourg, Dubai, London, Chinese Macao and Hanoi, and four overseas representative offices in Vancouver, Chinese Taipei, Sao Paulo and Dushanbe.

ABC International Holdings Limited and China Agriculture Finance Co., Ltd. are among the Bank's wholly-owned subsidiaries incorporated in Hong Kong. ABC International Holdings Limited engages in investment banking activities through its operating subsidiaries, primarily corporate finance, securities brokerage, principal investments and fund management. At 30 June 2025, the total assets and net assets of ABC International Holdings Limited amounted to HKD53,703.0 million and HKD11,898.0 million,

respectively. The Bank has three additional overseas subsidiaries, Agricultural Bank of China (UK) Limited, Agricultural Bank of China (Luxembourg) Limited and Agricultural Bank of China (Moscow) Limited.

The Bank's overseas representative offices do not conduct business operations, and they primarily carry out liaison and information collection activities.

PRODUCTS AND SERVICES PRICING POLICY

The interest rates the Bank charges on its Renminbi-denominated loans are generally regulated by the PBOC. Effective on 20 July 2013, the PBOC removed the lower limit for new loans provided by commercial banks, except for new residential mortgage loans. With respect to interest rates for residential mortgage loans, the lowest interest rates the Bank can charge on residential mortgage loans is 70 per cent. of the PBOC benchmark interest rate of the same term. Interest rates for foreign currency-denominated loans are generally not subject to PRC regulatory restrictions, and the Bank is permitted to negotiate the interest rates on such loans.

The PBOC promulgated the Notice of Lowering the Renminbi Benchmark Lending and Deposit Rates for Financial Institution and Further Promoting the Interest Rate Liberation Reform on 23 October 2015, which removed the upper limits on the deposit interest rates for the commercial bank. The Bank is permitted to provide negotiated time deposits to insurance companies, the National Council for Social Security Fund and Postal Savings Bank of China under certain circumstances. The Bank is permitted to negotiate the interest rates on foreign currency deposits other than those denominated in U.S. dollars, Euros, Japanese Yen and HK dollars in an amount less than U.S.$3 million or equivalent.

With respect to fee- and commission-based business, certain services are subject to government pricing guidelines, such as basic Renminbi settlement services specified by the NFRA and the PBOC. The Bank's Asset and Liability Management Committee is responsible for determining its pricing policies. In compliance with the provisions of applicable regulatory requirements, the Bank prices its products based on various criteria, such as the risk profile of its assets, an individual customer's contribution to its business, its costs, the expected risk- and cost-adjusted returns and its internal fund pricing benchmarks. In addition, the Bank considers general market conditions and the prices for similar products and services offered by its competitors.

Currently, the Bank's tier-1 branches have implemented centralised treasury operations. Subject to the approval of the Bank's Asset and Liability Management Committee, the Bank's Asset and Liability Management Department determines the Bank's internal transfer pricing benchmarks based on a number of factors, including prevailing interest rate trends in China's capital markets, the interest rate structure of the Bank's deposits and loans, and the strategies and objectives set by the Bank's Asset and Liability Management Committee.

The Bank's Fee- and Commission-based Business Management Committee is responsible for the development of, and pricing policies applicable to, the Bank's fee- and commission-based business. In principle, the Bank's Fee- and Commission-based Business Management Committee adjusts the prices of fee- and commission-based products annually based on several factors, such as the Bank's fee collection rate and changing market conditions.

Cross-border financial service

Adhering to the national strategy of "Opening-up" and in support of the "Regional Comprehensive Economic Partnership", the Belt and Road Initiative, Renminbi internationalisation and establishment of free trade zone, the Bank offered cross-border financial services including international settlement and trade financing to support transformation and upgrading of foreign trade and investment. The Bank cooperated with China Export & Credit Insurance Corporation, policy banks and banks in areas along the Belt and Road. Supporting the development of the offshore Renminbi market. The Bank also focused on its cross-border Renminbi business. As at 30 June 2025, the total assets of the Bank's overseas branches and subsidiaries reached USD169.5 billion. For the six months ended 30 June 2025, net profit of the Bank's overseas branches and subsidiaries amounted USD0.5 billion. For the year ended 31 December 2024, net profit of the Bank's overseas branches and subsidiaries amounted USD0.7 billion.

Distribution channels

The Bank's distribution network consisted of 22,914 domestic branch and entities nationwide as at 30 June 2025 and is complemented by comprehensive electronic banking channels. The Bank provides its customers with convenient services through its multi-channel distribution network.

Offline channels

As at 30 June 2025, the Bank had 22,914 domestic branch outlets, including the Head Office, Business Department of the Head Office, four specialised institutions managed by the Head Office, four training institutes, 37 tier-1 branches, 410 tier-2 branches (including business departments of branches in capital cities of provinces), 3,313 tier-1 sub-branches (including business departments in municipalities, business departments of branches directly managed by the Head Office and business departments of tier-2 branches), 19,102 foundation-level branch outlets and 42 other establishments. The Bank's head office is located in Beijing and is responsible for the overall decision-making and management of the Bank. The Bank's tier-1 branches are located in capital cities of provinces, autonomous regions and directly-controlled municipalities in China. The tier-1 branches serve as the regional head office, managing all the branch outlets in the respective regions and reporting directly to the Bank's head office. The Bank's tier-2 branches are generally located in prefectural-level cities within China's provinces and autonomous regions. The tier-2 branches report to the respective tier-1 branches in each of the regions. In addition to carrying out their own operations, the Bank's tier-2 branches are also responsible for the management of lower-tier branch outlets. The Bank's tier-1 sub-branches are primarily responsible for the business operations and management of outlets and report to the tier-2 branches directly above them. The Bank's other establishments are primarily branch outlets that provide financial services directly to customers but are not classified as any of the above categories.

The Bank's branch outlets cover all of the provincial-level administrative regions, prefectural-level cities, and almost all county-level administrative regions. The Bank believes the Bank is the only large commercial bank to have branch outlets covering all of the cities and most of the counties in China.

For the six months ended 30 June 2025, the percentage of the Bank's operating income from County Areas and Urban Areas amounted to 49.5 per cent. and 50.5 per cent., respectively. The following table sets forth, as at the dates indicated, the Bank's domestic branch outlets by region.

	As at 31 December						As at 30 June	
	2022		2023		2024		2025	
Area	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Head office	10	0.0	10	—	10	—	10	—
Yangtze River Delta	3,011	13.2	2,990	13.1	2,992	13.1	2,991	13.1
Pearl River Delta	2,377	10.4	2,374	10.4	2,369	10.4	2,369	10.3
Bohai Rim	3,283	14.4	3,294	14.4	3,309	14.5	3,317	14.5
Central China	5,160	22.7	5,167	22.6	5,173	22.6	5,179	22.6
Northeastern China	2,191	9.6	2,190	9.6	2,181	9.5	2,184	9.5
Western China	6,756	29.7	6,818	29.9	6,843	29.9	6,864	30.0
Total	**22,788**	**100.0**	**22,843**	**100.0**	**22,877**	**100.0**	**22,914**	**100.0**

Note:

(1) Organizations of the Head Office include the Head Office, Business Department of the Head Office, Private Banking Department, Credit Card Center, Bills Business Department, Capital Operation Center, Beijing Advanced-Level Training Institute, Tianjin Financial Training Institute, Changchun Financial Training Institute and Wuhan Financial Training Institute.

The Bank accelerated upgrading branch outlets, standardised the image of branch outlets, established model branch outlets and wealth management centres and launched the new standard for the branches' image. The Bank has optimised the management procedures for the classification, standardisation and establishment of branch outlets. The Bank also accelerated the development and promotion of information management, intelligent management system and other transformation application systems. The Bank focused on "Four Reductions, Two Improvements and One Modification" (i.e., reduction in areas of branch outlets, equipment, counter staff and cost, improvements in capabilities of marketing and risk management and control and modification of the Bank's operational systems and processes). All branch outlets completed intelligent transformation in 2019.

Online channels — Mobile banking

The Bank's mobile banking platform consists of both retail mobile banking and corporate mobile banking systems. Financial services offered through the Bank's mobile banking platform cover deposits, loans, transfer, investment, wealth management and credit cards. As at 30 June 2025, the Bank had 586.0 million personal mobile banking customers and 9.7 million corporate mobile banking customers, representing an increase of 25.0 million and 1.0 million individual customers and corporate customers respectively as compared to the end of the previous year.

Online channels — Online Banking

The Bank's internet banking platform consists of both retail internet banking and corporate internet banking systems. The Bank's retail internet banking products and services include registration by customers of other banks, online wealth management, online financing and quick authentication, while the Bank's corporate internet banking products and services include cash management, investment and wealth management and international business.

As at 30 June 2025, the Bank has 550.0 million registered individual customers on personal internet banking and 14.6 million corporate internet banking customers, representing an increase of 18.0 million and 0.9 million individual customers and corporate customers respectively as compared to the end of the previous year.

Online channels — Self-service banking

The Bank optimised the business process to improve the success rate of self-service registration and promote the intelligent interaction of mobile banking and interconnection between channels. The Bank completed the construction and promotion of a unified platform for intelligent terminals, upgraded the channels including homepage and life, and optimised the information display of transfer, wealth management and other modules, which continuously improved the customer experience. As at 30 June 2025, the Bank had 53.2 thousand STMs and 52.5 thousand ATMs.

Remote channels

The Bank accelerated digital transformation of remote banking with remarkable advancement in the service capability of remote channels. In the first half of 2025, the Bank's all-media customer service (including voice, online, video and new media) reached 0.2 billion customers, among which, 39.7 million calls handled by customer service staff, with a customer satisfaction rate of 99.9 per cent.

Integrated operation

The Bank established an integrated operation platform covering fund management, securities and investment banking, financial leasing, life insurance, debt-to-equity swap and wealth management business. In the first half of 2025, six of the Bank's subsidiaries namely ABC-CA Fund Management Co., Ltd., ABC International Holdings Limited, ABC Financial Leasing Co., Ltd., ABC Life Insurance Co., Ltd., ABC Financial Asset Investment Co., Ltd. and Agricultural Bank of China Wealth Management Co., Ltd., operated with regard to the Bank's strategy to achieve integrated operation. The Bank's six subsidiaries of integrated operations focused on the Bank's overall development strategy and primary responsibilities and core business, continued to enhance human resources management, customer service, risk control, system construction, and other foundational capabilities, and coordinated with the Bank in making solid headway in its business strategy. The capabilities of its integrated financial services have been further improved.

Integrated operation enabled the Bank to (i) promote product transformation and enrich its product series, (ii) improve management of customers, (iii) enhance research and investment capabilities, (iv) meet diversified needs of customers, (v) centralise trading system to support investment operations, (vi) enhance level of risk control and improve risk management, and (vii) improve IT system and operation management system.

Consumer interest protection

The Bank integrated customer interests protection in various aspects of corporate governance and included it into its business development strategy and corporate culture. The Bank formulated or revised relevant rules on consumer interests protection. It also implemented the examination mechanism for consumer interests protection in relation to products and services to ensure fair, just and honest treatment for consumers during various

stages of products and services, including design and development, pricing management and formulation of agreements. The Bank carried out the "Year of Services Improvement for Transformation" activity and focused on the financial service needs of special consumer groups. The Bank also strengthened the management on complaints of customers and advanced the implementation of the industrial standard related to classification of complaints from financial consumers. Moreover, it maintained open channels for its customers to voice, and optimised synergy of customer service systems to improve the normalisation and standardisation level of complaints management. The Bank responded to customers' demands promptly and promoted the effective operation of the complaint handling mechanism.

On the other hand, the Bank engaged external professional advisory agencies to take various measures including formulation of bank-wide privacy policies, improving internal management policies, improving technical protection systems and improving trainings on data security, in order to ensure the security of customer information.

FINTECH

Information technology is at the core of the Bank's competitiveness. The Bank focuses on the development of its information technology capabilities and has established an Information Technology Development Committee under its senior management. The Bank has also developed an IT development decision-making system to meet its operational needs as well as the IT management system and capabilities to provide comprehensive support to its business operations.

The Bank developed a centralised computer network system in 2006 which, through the Shanghai data centre, covers all of the Bank's domestic branch outlets except a small number of branch outlets in the Tibet Autonomous Region and links teller terminals throughout China. Only a small number of branch outlets located in the Tibet Autonomous Region have not been linked to the central network system due to a number of constraints including the lack of sufficient power and telecommunication infrastructure at these remote locations. Transactions at these branch outlets, typically small in volume, are manually recorded and then the financial accounts of these branch outlets are entered into the system on a monthly basis.

With the solid foundation of its information technology system, the Bank is able to strengthen the tracking, research and introduction of frontier technologies related to Fintech. The Bank continues to apply frontier technologies in financial technology and focused on safe production and innovation empowerment to deeply carry out its "iABC" strategy in information technology to promote the establishment of an intelligent, user-oriented and resources and capabilities integrated ABC with FinTech as its impetus, and continued to improve the scientific and technological support and empowerment level.

Fintech innovation

The Bank has set up a financial technology innovation centre in Xiong'an and built an innovation incubation centre and a pilot field for innovation achievements. The Bank strengthened the construction of basic capabilities of financial technology, and empowered the high-quality development of business operations. Regarding the application of Big Data technology, the Bank promoted in-depth data integration and common data accumulation and provided one-stop exclusive data services. Actively responding to the accelerated

evolution of technology transformation, the Bank sped up the transformation into a new-generation technology system, built a new digital infrastructure and an IT architecture base which were future-oriented, and deepened the application of fintech to empower the high-quality development of business operations. In addition, the Bank steadily advanced the cloud deployment of data-type applications of its branches. With regards to the application of cloud computing technology, the Bank formulated the special plan for improving cloud-native capabilities (2025–2026) in the first half of 2025 and continued to advance the upgrading of cloud-native infrastructures, improvement of resources efficiency, and development of other capabilities. In respect of the application of AI technology, the Bank completed the construction and service of a ten-billion-level graphs asset, which were applied to Sannong, credit card, credit and other fields, and started the construction of a new generation AI platform. In terms of the application of distributed architecture, products and applications such as combined payment, corporate deposits, personal demand deposits and debit cards, as well as their supporting business platforms have been transformed and upgraded to operate individually on the distributed core architecture. The transformation process was smooth and seamless, causing no disruption to customers. The Bank established the distributed middle-end technology platform to provide technical support of high-availability, high-reliability and high-performance to its product and application. In relation to blockchain technology, the Bank promoted the construction of the blockchain cloud service platform and established a block chain service framework, which provides diversified services of on-chain certificate and distributed digital identity authentication, and supports the application innovation in on-chain payment, credit risk and other areas. As regards the application of cyber security technology, the Bank promoted the upgrading of technology protection system, completed the promotion of cloud security protection tools, and achieved integrated on-cloud and on-premises protection. With respect to the application of network technology, the Bank enabled the deployment of IPv6 for all of the bank-wide internet applications. In relation to the application of Internet of Things, the Bank initiated the bank-wide construction of Internet of Things to promote integration of online and offline data. On the application of robotic process automation, the Bank built an enterprise-level platform, which was applied in credit card, finance and accounting and operation to effectively improve the efficiency of business process execution.

Improvement of technological level of operation and management

The Bank promoted the smart credit 2.0 project and launched the system of special seal for electronic loan contract, carrying out the whole process of operation electronically and shortening the time for processing a single loan. The Bank extended the application of its mobile credit system (Mobile C3), featuring mobile approval, information inquiry and onsite operation, to three branches including Tokyo, Seoul and Chinese Macao. The Bank also built a bank-wide platform for monitoring and prevention of cases, achieving early warning of and timely response to potential risks of cases.

Information system

The Bank's information system covers all aspects of its business. It consists of six application systems, including its core business system, front office application system, channel application system, internal management system, marketing analysis system and office automation system. The Bank promoted construction of the "two cities and three centres" project and established a disaster recovery system covering all important information systems. The Bank promoted network construction for channel domain

covering all branch outlets, adopting technology including segment routing and software-defined WAN. The Bank also started construction of the integrated and operation platform based on the idea of "one portal (unified portal), one centre (configuration centre) and four platforms (platforms of monitoring, management, operation and operation and maintenance data analysis)". For the six months ended 30 June 2025, the average transaction volume per working day of the Bank's core operation system reached 1,670.0 million, while the highest daily transaction volume reached 1,944.0 million. For the year ended 31 December 2024, the highest daily transaction volume reached 1,964.0 million. The Bank's information system was sustainable in providing continuous and stable services.

IT RISK MANAGEMENT

The Bank's IT risk management is coordinated by an operational risk management committee, with responsibilities allocated to the information technology department, risk management department, audit office and internal compliance department. The scope of the Bank's IT risk management also covers security, personnel, network, research and development, operation and maintenance, emergency response and outsourcing.

The Bank has adopted IT safety security measures, including firewalls, transmission encryption, intrusion detection and centralised authentication. The Bank's Shanghai branch and the IT management department and the software research and development centre at the Bank's head office obtained the Information Safety Administration International Certification (ISO 27001) in recognition of the enhanced safety of the Bank's IT system.

In addition, the Bank has established a dedicated disaster recovery management unit and constructed a comprehensive disaster recovery management system to protect its data centre, tier-1 branches and tier-2 branches. The Bank's core production system is located at the Shanghai data centre, with the disaster recovery testing centre at Beijing serving as a disaster recovery function for the core production system and core operating data. The Bank's disaster recovery system enables its branches to link smoothly to its Beijing disaster recovery testing centre if a disaster occurs at the Shanghai data centre.

Since 2013, the Bank has launched a number of key IT projects to improve its financial services and financial management, including establishing additional channels for mobile banking and increasing the functionality of its mobile banking, corporate Internet banking and retail Internet banking platforms. The Bank furthered its globalisation strategy by completing the integration of the core overseas business systems of its overseas institutions and launching an online U.S. dollar settlement service through its New York branch. Various systems were installed to improve the management of operation, finance, risk, assets and liabilities, including the second generation centralised operation platform, centralised operation management platform, phase II of online account management, risk management system 2.0 and the enhanced asset-liability management system.

Information Technology Research and Operational Ability

The Bank's software research and development centre, located at the Bank's head office, is responsible for the implementation of major IT projects and the research and development of IT software, and has the capability to carry out demand analysis, process design and project implementation and promotion for large-scale projects.

The Bank has continued streamlining its software development procedures, improving IT product quality and enhancing its IT risk management. The Bank's software research and development centre obtained the level-3 CMMI certification at the end of 2008.

Production and operation capability. The Bank's data centre in Shanghai is responsible for supporting its business operations, production of management information, technology and business security, production data management, trading supervision and back-end processing for the Bank's overall operation and data administration. The Bank continued to integrate and improve its IT infrastructure by completing the compliance project related to the server rooms of its domestic branches and upgrading the core systems and the network of its Beijing's data centre. The Bank's disaster recovery testing centre in Beijing provides long-distance backup and emergency recovery for the core operational data in the Bank's Shanghai data centre. The Bank currently plans to establish a third data centre in northern China.

The Bank has introduced the ISO20000 IT service management system to raise the operation and maintenance standards of the Bank's operational system. Effective contingency management has also facilitated the development of the Bank's business operations.

CAPITAL MANAGEMENT

In the first half of 2025, the Bank implemented its capital plan for 2025–2027, improved the working mechanism of capital management, deepened the transmission of the principle of capital constraint and value return, strengthened the application of the new capital rules, and made solid progress in intensive and refined management of capital.

The Bank continued to enhance the construction of Internal Capital Adequacy Assessment Process (ICAAP), completed the internal capital adequacy assessment for 2025, continuously optimized the ICAAP working mechanism, and strengthened the foundation for capital and risk management. As one of the Global Systemically Important Banks and Domestic Systemically Important Banks, the Bank gradually optimized the retest mechanism for the recovery and resolution plan in accordance with regulatory requirements, constantly improved capabilities of risk early warning and crisis management, reduced risk spillover during the crises and strengthened the foundation for financial stability. The Bank strengthened research on plans to meet Total Loss Absorption Capacity (TLAC) requirements, consolidated foundation for compliance, to enhance its risk resistance capability and boost public confidence.

The Bank implemented advanced approaches of capital management and adopted both advanced approaches of capital measurement and other approaches to calculate capital adequacy ratio according to the requirements of the NFRA.

Key Principles of the Bank's Capital Management

- Continue to satisfy the regulatory requirements, maintain a reasonable capital level, and align the Bank's capital adequacy level with the maximisation of shareholders' value;

- Continue to refine the Bank's economic capital-based value management system, optimise the Bank's asset mix, reasonably allocate economic capital, cover all types of risks and ensure sustainable business growth; and

- Utilise various capital instruments, refine the Bank's capital base and structure, enhance capital quality and reduce capital costs.

Management of Capital Financing

In May 2025, the Bank issued CNY50.0 billion of undated additional Tier 1 capital bonds in the National Interbank Bond Market to replenish our additional Tier 1 capital. In June and July 2025, the Bank issued CNY 60.0 billion and CNY 60.0 billion of Tier 2 capital bonds in the National Interbank Bond Market, respectively, to replenish our Tier 2 capital. In June and August 2025, the Bank issued CNY 30.0 billion and CNY 50.0 billion of TLAC eligible non-capital bonds in the National Interbank Bond Market, respectively, to enhance the Bank's total loss-absorbing capacity. In May 2025, the Bank redeemed CNY 40.0 billion of Tier 2 capital bonds. In May and August 2025, the Bank redeemed CNY 85.0 billion and CNY 35.0 billion of undated additional Tier 1 capital bonds, respectively.

Management of Economic Capital

In the first half of 2025, the Bank constrained total capital, optimised asset structure and controlled the growth of risk-weighted assets in order to achieve capital-intensive development. The Bank continued to improve the economic capital allocation mechanism, highlighted business strategic objective transmission, continuously improved the refined management of economic capital and increased economic capital allocation in key areas, such as rural revitalisation, inclusive finance, manufacturing, private enterprises, green credit, and food security. The Bank strengthened the process control of economic capital, improved the efficiency of economic capital monitoring and improved the timeliness and effectiveness of capital management policy transmission.

Capital Adequacy Ratio

In accordance with the "Capital Rules for Commercial Banks", the CET 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio of the Bank were 11.11 per cent., 13.04 per cent. and 17.45 per cent., respectively, as at 30 June 2025.

Capital Enhancement Mechanism

The Bank's priority approach to enhance its capital base will be through the retention of profits. The Bank may also enhance its capital base through various external alternatives, including, but not limited to, issuances of subordinated bonds, convertible bonds or hybrid capital bonds, conducting rights offerings or private placements, and certain other alternatives approved by the NFRA.

Capital Management Measures

- Strengthen Profitability and Improve Internal Capital Generation Capability. The Bank plans to enhance its profitability through various measures including accelerating business operations transformation, promoting revenue diversification and increasing operating efficiencies. In addition, the Bank seeks to strengthen internal capital generation capability through setting a reasonable dividend to payout ratio.

- Explore Capital Enhancement Tools and Expand Capital Enhancement Channels. The Bank seeks to utilise the various tools and channels available under the current regulatory framework and continues to explore new capital enhancement tools and expand its capital enhancement channels.

- Refine Capital Control Mechanism and Enhance Capital Allocation Efficiency. The Bank seeks to strengthen capital budgeting management, increase its focus on performance evaluation based on economic capital metrics such as Economic Value Added ("**EVA**") and Risk-adjusted Return on Economic Capital ("**RAROC**"), promote awareness of capital constraints and control the growth of risk-weighted assets through economic capital management. The Bank also plans to refine its economic capital allocation management, adjust its business and asset mix and prioritise the development of business lines that provide higher overall return and require lower capital to reduce capital consumption.

- Enhance Risk Management Capability and Establish Capital Adequacy Assessment Procedures. The Bank has established and continues to refine its capital adequacy assessment procedures, which form an important component of the Bank's internal management and decision-making. The Bank plans to accelerate its utilisation of quantitative risk management measurement techniques and refine economic capital measurement. Adequate capital will be held against its major risk exposures.

- Strengthen Capital Planning Management and Maintain Adequate Capital Base. Based on changes in the macroeconomic and regulatory environment, as well as the progress of its implementation of Basel II/Basel III and its business development needs, the Bank plans to actively adjust its capital planning to ensure that the size of its capital base is commensurate with the future growth of its business and its risk exposure.

COMPETITION

The Bank faces significant competition in its principal areas of business from other commercial banks and financial institutions in China. The Bank currently competes primarily with the Large Commercial Banks and National Joint Stock Commercial Banks. The Bank also faces increasing competition from other financial institutions, including city commercial banks and foreign banks operating in China. The Bank's competition with other commercial banks and financial institutions in China primarily focuses on the variety, pricing and quality of products and services, convenience of banking facilities, reach of distribution network, brand recognition and information technology capabilities.

In the County Areas, the Bank's competitors vary across geographical regions as a result of the differences among regions in terms of economic development and maturity of the financial market. In addition to other Large Commercial Banks, National Joint Stock Commercial Banks, city commercial banks and foreign-invested bank operating in China, the Bank primarily competes with local rural cooperatives, rural commercial banks, Postal Savings Bank of China and other agriculture-related financial institutions in the County Areas. With the easing of regulatory restrictions on access to the County Area banking market, an increasing number of township banks, loan companies, rural mutual cooperatives and other new types of rural financial institutions have been established in the County Areas. In addition, various financial institutions have strengthened their penetration in the County Area banking market. As a result, the Bank faces increasingly intense competition in the County Areas.

In addition, the Bank faces competition from non-banking institutions such as securities firms and insurance companies in providing financing services to the Bank's customers.

The Bank's competition with foreign-invested financial institutions will likely intensify in the future. In 2006, pursuant to its WTO commitment, the PRC government eliminated measures restricting the geographic presence, customer base and operational licenses of foreign-invested banks operating in China. In addition, China's Closer Economic Partnership Arrangement with Hong Kong and Macau allows smaller banks from those jurisdictions to operate in the PRC, which has also increased competition in the PRC banking industry.

See "*Risk Factors — Risks Relating to the Banking Industry in China — The Bank faces intense competition in China's banking industry as well as competition from alternative corporate financing and investment channels*".

In response to the competitive environment, the Bank intends to continue implementing its strategies to differentiate itself from its competitors and compete effectively in the PRC commercial banking industry.

EMPLOYEES

The Bank had 445,110 employees as at 30 June 2025. The number of the Bank's employees as at 30 June 2025 included 14,951 employees at its Head Office, 836 employees at its overseas branches, subsidiary banks and representative offices and 7,145 employees at its subsidiaries of integrated operations and the rural banks.

The Bank contributes to its employees' social insurance, provident housing fund and certain other employee benefits in accordance with PRC laws and regulations.

The Bank's overall remuneration level was determined in accordance with factors including the efficiency of the Bank and the total annual remuneration was reviewed and approved by the Board of Directors of the Bank, as required by relevant national regulations. The total remuneration allocated to institutions at all levels under the Bank was determined on the basis of their operating efficiency, performance assessment result and completion status of key tasks. Performance assessment indicators include efficiency indicators, risk indicators and other sustainable development indicators, which comprehensively reflected their long-term performance and risk profiles.

The Bank provides training programmes to its employees to improve their professional competence and skills.

The Bank's training programmes mainly include:

- management training programmes for senior management of the Bank's head office, tier-1 branches and tier-2 branches;

- professional training programmes for professionals in areas such as investment and asset management, risk management, financial accounting, product development, legal and compliance and information technology;

- online training programmes for employees to improve professional competency and business and service capabilities; and technical training programmes for skilled employees.

The Bank has also been developing its job qualification system whereby the Bank will define the required qualifications for each position throughout the Bank's operational processes and arrange appropriate training.

The Bank's labour union represents the interests of the employees and works closely with the Bank's management on labour-related issues. As at the date of this Offering Circular, the Bank has not experienced any strikes or other material labour activities that have interfered with its operations, and the Bank believes that the relationship between the Bank's management and the labour union has been good.

PROPERTIES

The Bank is headquartered in Beijing, PRC.

The Bank has not obtained the title certificates for some of the properties which it holds and occupies in the PRC. The Bank is in the process of applying for the relevant land use rights and building ownership certificates that it has not yet obtained, and it plans to cooperate closely with the local land and property management authorities to expedite such applications and obtain the relevant title certificates as soon as practicable. The Bank has been unable to obtain some of these title certificates due to various title defects or for other reasons. While there may be legal impediments to the Bank obtaining some of these title certificates as a result of these title defects, the aggregate gross floor area of these properties with defective titles is immaterial as compared to all of the properties owned by the Bank. The Bank believes that since the relevant properties are situated in different provinces in the PRC, the risk of losing its ability to use all such properties at any one time is comparatively low. It also believes that it will be able to obtain replacements in nearby locations, and accordingly, it is not expected that any relocation will have any material adverse impact on the operations and financial position of the Group as a whole. For the leased properties in the PRC, the relevant lessors have not provided valid title certificates or consent to lease some of the properties, which are mainly used for commercial purposes, including outlets, offices and ATMs. As the owner of the properties, the lessors are responsible for applying for the relevant title certificates or providing the Bank the consent to lease the properties. In respect of this, the Bank has proactively procured these lessors to apply for the relevant title certificates or provide the Bank the consent to lease the properties. The Bank is of the view that most of these occupied leased properties can, if necessary, be replaced by other comparable alternative premises without any material adverse impact on its operations.

LEGAL AND REGULATORY PROCEEDINGS

Licensing Requirements

As at 30 June 2025, the Bank had obtained the financial operating licenses required for conducting its current businesses.

Legal Proceedings

The Bank is involved in certain legal proceedings in the ordinary course of its business. Most of these proceedings involve enforcement claims initiated by the Bank to recover payments on its non-performing loans. The legal proceedings against the Bank include actions relating to customer disputes and claims brought by its counterparties on contracts related to its banking operations. Please refer to the risk factor titled "*Risk Factors — Risks relating to the Bank's business — The Bank may be involved in legal and other disputes from time to time arising out of its operations and may face potential liabilities as a result*." for further information.

As at the date of this Offering Circular, the Bank was not involved in any litigation, arbitration or administrative proceedings, and is not aware of any such litigation, arbitration or administrative proceedings, whether pending or threatened, which are or might be material in the context of the issuance of the Notes.

As at 30 June 2025, the value of the claims of the pending litigations or arbitrations in which the Bank was involved as a defendant, a respondent, or a third party amounted to approximately CNY2,505 million. The management of the Bank believes that the Bank has fully accrued provision for potential losses arising from the aforesaid litigations or arbitrations, and they will not have any material adverse effect on the Bank's financial position or operating results.

Regulatory Reviews and Proceedings

The Bank is subject to inspections and examinations by the relevant PRC regulatory authorities, including the PBOC, NFRA, MOF, CSRC, CIRC, SAIC, SAFE, NAO, SAT and their respective local offices. These audits and examinations have previously resulted in findings of incidents of noncompliance and the incurrence of certain penalties. Although these incidents and penalties did not have any material adverse effect on the Bank's business, financial condition or operations results, the Bank has implemented improvement and remedial measures to prevent the reoccurrence of such incidents. The Bank believes that, save as disclosed in this Offering Circular, there were no other material breaches or material incidents of regulatory non-compliance.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2025, the persons who had, or were deemed or taken to have interests or short positions in the shares or underlying shares which would fall to be disclosed to the Bank under the provisions of Division 2 and 3 of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**") or which were recorded in the Bank's register required to be kept under section 336 of the SFO or who were directly or indirectly interested in 5 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Bank were as follows:

Unit: Share

Name	Capacity	Interests and short positions	Nature	Percentage of issued class shares (%)	Percentage of total issued shares (%)
Huijin	Beneficial owner	140,488,809,651 (A Shares)	Long position	44.01	40.14
	Interest of controlled entity	3,098,185,877 (A Shares)	Long position	0.97	0.89
MOF	Beneficial owner /Nominee[1]	133,312,244,066 (A Shares)[2]	Long position	41.76	38.09
SSF	Beneficial owner	23,520,968,297 (A Shares)	Long position	7.37	6.72
Ping An Insurance (Group) Company of China, Ltd.	Interest of controlled entity	4,946,466,317 (H Shares)[3]	Long position	16.09	1.41
Ping An Life Insurance Company of China, Ltd.	Beneficial owner	4,035,023,000 (H Shares)[3]	Long position	13.12	1.15
Ping An Asset Management Co., Ltd.	Investment Manager	4,919,077,00 (H Shares)	Long position	16.00	1.41
Qatar Investment Authority	Interest of controlled entity	2,448,859,255 (H Shares)[4]	Long position	7.97	0.70
Qatar Holding LLC	Beneficial owner	2,408,696,255 (H Shares)[4]	Long position	7.84	0.69
BlackRock, Inc.	Interest of controlled entity	1,842,298,065 (H Shares)[5]	Long position	5.99	0.53
		51,997,000 (H Shares)	Short position	0.17	0.01

Notes:

(1) 9,797,058,826 A Shares are held by the SSF, but the voting rights of these shares were transferred to the MOF according to the share subscription agreement dated 21 April 2010 and the Approval on the Proposed Transfer of State-owned Shares of the Agricultural Bank of China issued by the MOF on 5 May 2010.

(2) According to the register of members of the Bank as at 30 June 2025, the MOF held 123,515,185,240 A Shares of the Bank, representing 38.69% of the issued A Shares and 35.29% of the total issued shares of the Bank.

(3) Ping An Insurance (Group) Company of China, Ltd. is deemed to be interested in 4,946,466,317 H Shares in aggregate, directly or indirectly held by its controlled corporations, namely Ping An Life Insurance Company of China, Ltd., Ping An Property & Casualty Insurance Company of China, Ltd. and China Ping An Insurance Overseas (Holdings) Limited.

(4) Qatar Investment Authority is deemed to be interested in 2,448,859,255 H Shares in aggregate, held by Qatar Holding LLC and QSMA1 LLC, both of which are the wholly-owned subsidiaries of Qatar Investment Authority.

(5) BlackRock, Inc. is deemed to be interested in 1,842,298,065 H Shares in aggregate, directly or indirectly held by BlackRock Investment Management, LLC and BlackRock Financial Management, Inc., both of which are the wholly-owned subsidiaries of BlackRock, Inc.

DIRECTORS

The following table sets out certain information relating to the Bank's directors:

Name	Position
GU Shu	Chairman of the Board of Directors and Executive Director
WANG Zhiheng	Vice Chairman of the Board of Directors, Executive Director, President and Chief Compliance Officer
LIU Hong	Executive Director
LIN Li	Executive Director and Executive Vice President
ZHOU Ji	Non-executive Director
LI Wei	Non-executive Director
LIU Xiaopeng	Non-executive Director
ZHANG Qi (張奇)	Non-executive Director
ZHANG Hongwu	Non-executive Director
WU Liansheng	Independent Non-executive Director
WANG Changyun	Independent Non-executive Director
JU Jiandong	Independent Non-executive Director
ZHUANG Yumin	Independent Non-executive Director
ZHANG Qi (張琦)	Independent Non-executive Director
WONG Pui Sze Priscilla	Independent Non-executive Director

EXECUTIVE DIRECTORS

Mr. GU Shu holds a Doctor's degree in Economics from Shanghai University of Finance and Economics and is a senior accountant. He has served as an Executive Director of the Bank since January 2021 and the Chairman of the Board of Directors and an Executive Director of the Bank since February 2021. Mr. GU previously served as the general manager of the Finance and Accounting Department, the board secretary and concurrently general manager of the Corporate Strategy and Investor Relations Department, and president of Shandong Branch of Industrial and Commercial Bank of China Limited. Mr. GU was appointed as the executive vice president and the president of Industrial and Commercial Bank of China Limited in October 2013 and October 2016, respectively. Mr. GU served as the vice chairman of the board, an executive director and the president of Industrial and Commercial Bank of China Limited in December 2016. He concurrently serves as the president of the National Association of Financial Market Institutional Investors and the vice president of the 8th Council of China Society for Finance and Banking.

Mr. WANG Zhiheng holds a master's degree in economics from Nankai University and is an economist. He has served as the President of the Bank since June 2024 and served as the Vice Chairman of the Board of Directors, Executive Director and President of the Bank since September 2024. He previously served as deputy general manager of the Human Resources Department, deputy president of Guangdong Branch, president of Qinghai Branch, general manager of the Human Resources Department of the Head Office and president of Beijing Branch of Bank of China Limited. He was appointed as the executive vice president of Bank of China Limited in August 2021 and was appointed as an executive

director of China Everbright Group Ltd. in February 2023. He concurrently served as an executive director of China Everbright Group Ltd. and an executive director and the president of China Everbright Bank Company Limited since March 2023.

Mr. LIU Hong holds a master's degree in public administration from Peking University and is a senior economist. He was appointed as an Executive Vice President of the Bank in August 2023, and has served as a deputy secretary of the Party Committee of the Bank since August 2025. He previously served in several positions in the Bank, such as the deputy general manager of the Human Resources Department, a deputy general manager of the Executive Office as well as the president and the editor-in-chief of China Urban-Rural Financial News (secondary department level), the general manager of the Office of the Board of Supervisors, a supervisor, the president of Qinghai Branch, an executive vice secretary of the Party Committee of the Head Office, the secretary of the Disciplinary Committee of the Head Office, the general manager of the Human Resources Department/County Area Banking & Inclusive Finance Human Resources Management Centre and the chief officer of County Area Banking Business of the Bank. He concurrently serves as the vice chairman of the China Foundation for Development of Financial Education and a director of National Society for the CPC Building Studies.

Mr. LIN Li holds a Doctor's degree in Economics from Southwestern University of Finance and Economics and is a senior economist. Mr. LIN successively worked in China Raw Materials Investment Corporation and China Development Bank. He previously served as a deputy director and director of general office, a director and secretary to the board of directors of China Everbright Group Corporation (concurrently serving as chief of the Reform and Development Steering Group Office of China Everbright Group Corporation, chief of the Office of Executive Directors of China Everbright Holdings Company Limited (in Hong Kong), a director of Sun Life Everbright Life Insurance Co., Ltd. and chairman of the board of supervisors of China Everbright Investment Management Co., Ltd.), and the executive vice president and senior executive vice president of China Everbright Bank (concurrently serving as a director of China UnionPay). Mr. LIN was appointed as the vice president of Agricultural Development Bank of China in January 2014, and served as an executive director and the vice president of Agricultural Development Bank of China in February 2018.

NON-EXECUTIVE DIRECTORS

Ms. ZHOU Ji received a Master's degree in National Economic Planning and Management from Department of National Economic Management of Renmin University of China, and is an economist. Ms. ZHOU currently works with Central Huijin Investment Ltd. Ms. ZHOU has served as a Non-executive Director of the Bank since March 2021. She previously worked as a deputy director of Balance of Payments Division and a deputy director of Analysis and Forecast Division of Balance of Payments Department of the SAFE; a director of Balance of Payments Statistics Division of Balance of Payments Department of the SAFE; a deputy director of Balance of Payments Department and a deputy director of Capital Account Management Department of the SAFE.

Mr. LI Wei graduated from Zhejiang University of Finance and Economics with a Bachelor's degree in Finance and is a senior accountant. He currently works with Central Huijin Investment Ltd., and has served as a Non-executive Director of the Bank since May 2019. He previously served as a deputy director clerk, a director clerk and a deputy director

of the Budget Office of Ningbo Finance and Taxation Bureau, as well as a deputy director, a director, an assistant commissioner and a deputy supervisor of the First Division of the Office of the Ministry of Finance in Ningbo.

Mr. LIU Xiaopeng holds a doctor's degree in world economics from Nankai University, and is a senior economist. He currently works with Central Huijin Investment Ltd., and has served as a Non-executive Director of the Bank since January 2022. He previously worked as a deputy director of Financial Asset Management Department of State Grid Corporation of China, the general manager of Investment Management Department, and concurrently served as an assistant to the general manager of the company and the general manager of Development Planning Department of State Grid Yingda International Holdings Co., Ltd., a vice general manager and the secretary to the board of directors of China Power Finance Co., Ltd., a deputy director-general of the Global Energy Interconnection Office of State Grid Corporation of China and the Global Energy Interconnection Development and Cooperation Organisation, an executive director and the chief executive officer of Gome Finance Technology Co., Ltd., and the chief strategic operating officer of Gome Holding Group Co., Ltd. He concurrently serves as a non-executive director of China Reinsurance (Group) Corporation and a visiting professor of Nankai University.

Mr. ZHANG Qi (張奇) holds a doctor's degree in economics from Dongbei University of Finance & Economics. He is currently working at Central Huijin Investment Ltd., and has served as a non-executive Director of the Bank since December 2022. He served as a non-executive director of China Construction Bank from July 2017 to December 2022, and a non-executive director of Bank of China from July 2011 to June 2017. He was a director clerk of the Central Expenditure Division One and Comprehensive Division of the Budget Department, deputy director and director of the Minister's Office under the General Office of the Ministry of Finance, the senior manager of the Office of China Investment Corporation, and the managing director of Equity Management Department I of Central Huijin Investment Ltd.

Mr. ZHANG Hongwu holds a doctor's degree in economics from Dongbei University of Finance & Economics. He has served as a division deputy director, division director, and in deputy director-general level position of the Department of Treaty and Law, the Department of Science, Education and Culture and the General Office of the Ministry of Finance, a Party member and deputy director-general of the Department of Finance of the Xinjiang Uygur Autonomous Region, the deputy secretary of the Party Committee of Changji Hui Autonomous Prefecture (director-general level), an inspector of the General Office of the Ministry of Finance, a directorgeneral of the Planning and Finance Bureau of the Office of the Central Cyberspace Affairs Commission (Cyberspace Administration of China), an inspector of the Department of Agriculture of the Ministry of Finance, the secretary of the Party Committee and chairman of the National Agricultural Credit Guarantee Alliance Co., Ltd., and a first-level inspector of the Cadre Education Center of the Ministry of Finance.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WU Liansheng holds a doctor's degree in management and currently serves as chair professor of Southern University of Science and Technology. He served as a distinguished professor of the Chang Jiang Scholars Programme of the Ministry of Education, and awarded as the winner of the National Outstanding Young Scholars. He was elected into the "Programme for New Century Excellent Talents in University" of the Ministry of

Education and the "Accountant Specialist Training Project" of the Ministry of Finance. He has served as an independent non-executive director of the Bank since November 2021. He previously served as the associate dean and professor for the Guanghua School of Management of Peking University. He previously served as an independent director of Huaneng Power International, Inc., RiseSun Real Estate Development Co., Ltd., Western Mining Co., Ltd., Wanda Cinema Line Co., Ltd., China National Building Material Company Limited, Xinhuanet Co., Ltd. and BOC International (China) Co., Ltd. Mr. WU currently serves as an independent director of Pop Mart International Group Limited.

Mr. WANG Changyun holds a master's degree in economics from Renmin University of China and a doctor's degree in financial economics from University of London. He currently serves as a professor in finance at the School of Finance, a supervisor for Ph.D. candidates, the director of the Institute of International M&A and Investment and a deputy director of ESG Research Center of Renmin University of China. He is a distinguished professor of the Chang Jiang Scholars Programme and entitled to Government Allowance granted by the State Council. He concurrently serves as an independent non-executive director of China Cinda Asset Management Co., Ltd., Sunway Co., Ltd., Beijing Haohua Energy Resource Co., Ltd., and Hexie Health Insurance Co., Ltd., a vice president of China Investment Specialty Construction Association, an executive director of China Investment Association, a director of China Finance Association and special auditor of National Audit Office. He previously served as the dean of Hanqing Advanced Institute of Economics and Finance in Renmin University of China and an independent non-executive director of Bank of China Limited.

Mr. JU Jiandong holds a doctor's degree in Economics from Pennsylvania State University. He has served as an Independent Non-executive Director of the Bank since September 2024. He concurrently serves as a chair professor of the PBC School of Finance in Tsinghua University, the president of China Trade Research Group, the director of each of the Center for International Finance and Economics Research and Center for Green Finance Research of the National Institute of Financial Research in Tsinghua University, a distinguished professor of the School of International Business Administration of Shanghai University of Finance and Economics. He previously served as the dean and a professor of the School of International Business Administration of Shanghai University of Finance and Economics, a professor of the School of Economics and Management of Tsinghua University, a professor of Economics (tenured) at the University of Oklahoma, a consultant to the World Bank and a resident scholar in the Research Department of the International Monetary Fund, an external supervisor of Bank of Communications Co., Ltd. He concurrently serves as an independent non-executive director of COFCO Joycome Foods Limited.

Ms. ZHUANG Yumin holds a doctor's degree in Economics from Renmin University of China. She currently serves as the dean and a professor of School of Finance of Renmin University of China, a deputy to the 14th National People's Congress and a member of the Financial and Economic Committee of the 14th National People's Congress. She previously served as the deputy dean of School of Finance and the deputy dean of Graduate School of Renmin University of China, a member and secretary general of the first session of National Guidance Commission for Education of the Graduate Students in Finance, the assistant to the Mayor of the Suzhou Municipal People's Government (temporary), the deputy dean of Minjiang University in Fujian Province (person-in-charge), an independent director of Soochow Securities Co., Ltd., an external supervisor of China CITIC Bank Corporation Limited and an independent director of Suzhou Trust Co., Ltd.

Mr. ZHANG Qi (張琦) (former name: ZHANG Haicang), holds a doctor's degree in Economics from the Chinese Academy of Social Sciences. Mr. ZHANG currently serves as the dean of the China Institute for Poverty Reduction, the director of the China Rural Revitalization and Development Research Center, and a second-level professor of Beijing Normal University. He previously served as the secretary of the general Party branch committee of the Institute of Economics and Resource Management of Beijing Normal University, a deputy director of the Real Estate Market Research Institute of the China Real Estate Consultancy Center of the former State Land Administration, a deputy director of Research Institute and a deputy general manager of the branch of the former Southern Securities, and assistant to the president and concurrently the director of the Research and Development Center of Sealand Securities Co., Ltd. He concurrently serves as an expert in education for poverty alleviation and rural revitalization of the Ministry of Education, a member of the Professional Committee on Farming and Village Construction of the Ministry of Housing and Urban-Rural Development, and a consultant expert of the State Forestry and Grassland Administration. He concurrently served as a member of the Expert Advisory Committee of the former State Council Leading Group of Poverty Alleviation and Development.

Ms. WONG Pui Sze Priscilla holds a master's degree in law from the London School of Economics and Political Science of the University of London in the United Kingdom. She was awarded Silver Bauhinia Star and Justice of the Peace by the HKSAR, and is qualified as a barrister in Hong Kong, and an advocate and solicitor in Singapore. She served as the chairman of the Council of the University of Hong Kong. She concurrently serves as a member of the Shanghai Municipal Committee of the Chinese People's Political Consultative Conference, the chairman of the Minimum Wage Commission of Hong Kong, the chairman of the Hospital Governing Committee of the Prince of Wales Hospital of the Hospital Authority, the chairman of the Independent Police Complaints Council, a mediator of the Centre for Effective Dispute Resolution, an arbitrator of the China International Economic and Trade Arbitration Commission, and an independent non-executive director of Sinopec Kantons Holdings Limited.

SUPERVISORS

The following table sets out certain information relating to the Bank's supervisors.

Name	Position
DENG Lijuan	Supervisor Representing Shareholders
HUANG Tao	Supervisor Representing Employees
WANG Xuejun	Supervisor Representing Employees
LIU Hongxia	External Supervisor
XU Xianglin	External Supervisor
WANG Xixin	External Supervisor

Ms. DENG Lijuan holds a master's degree in economics from Jilin University and is a senior economist. She previously served in several positions in the Human Resources Department of the Bank, including the deputy director of the Headquarter Staff Management Division, the deputy director and director of the Senior Management Training Division and the director of the Affiliated Institutions Staff Management Division. She was appointed as the vice general manager of the Human Resources Department of the Bank in August 2016.

Mr. HUANG Tao holds a Master's degree in Arts from Huazhong University of Science and Technology and is a senior economist. He has served as a Supervisor Representing Employees of the Bank since July 2021. He previously served as the deputy director of the Editorial Division III of the Air Force Newspaper Office (regiment commander level), the first secretary (director level), the consultant, concurrently the consultant and the deputy director of the General Office of the Secretary Bureau I of General Office of the State Council, the director of Division III and the deputy inspector and concurrently the director of Division III of the Supervision Office of General Office of the State Council, a member of the Municipal Standing Committee and the deputy mayor (temporary) of Guilin, the Guangxi Zhuang Autonomous Region, the deputy inspector and the inspector of the Supervision Office of the General Office of the State Council. He served as the general manager of the Office/Complaint Office of the Bank in November 2015 and served as the general manager of the Office of the Bank since June 2021.

Mr. WANG Xuejun holds a Master's degree in Arts from Central China Normal University and is a senior engineer. He has served as a Supervisor Representing Employees of the Bank since May 2022. He used to serve in several positions in the Bank, including the deputy manager (deputy director) of the Computer Operation Division, the deputy manager (deputy director) and then manager (director) of the Information Technology Division of the Business Department, the director of Big Client Department Division IV, the president of the Beijing Branch Shijingshan Sub-branch, the assistant president of the Beijing Branch (concurrently the president of the Shijingshan Sub-branch), the vice president of the Beijing Branch (concurrently the president of the Zhongguancun Sub-branch) and the deputy general manager of the Information Management Department of the Bank. He served as the deputy director of the United Front Work Department/Trade Union Affairs Department of the Bank (person-in-charge) in March 2022. He has served as the director of the Trade Union Affairs Department of the Bank since February 2023.

Ms. LIU Hongxia holds a Doctor's degree in Management. She has served as an External Supervisor of the Bank since November 2018. From 1999 until now, Ms. LIU has been working as a professor, a supervisor for Ph.D. candidates, and a co-advisor for postdoctoral at the School of Accounting of Central University of Finance and Economics. Ms. LIU previously worked as a teaching assistant at Beijing Institute of Finance and Trade, a lecturer of Shandong University of Finance, an auditor of Zhongzhou Certified Public Accountants in Beijing, and a deputy professor of Central Financial Management Cadre College. She previously served as independent director for China Merchants Bank, Fangda Special Steel Technology Co., Ltd., Beijing AriTime Intelligent Control Co., Ltd., Shanghai New Huang Pu Real Estate Co., Ltd., Langold Real Estate Co., Ltd., Shandong Humon Smelting Co., Ltd., Hebei Xingtai Rural Commercial Bank Company Limited, etc. She currently serves as an independent director of Cinda Real Estate Co., Ltd., Nanjing Tanker Corporation of China Changjiang National Shipping Group Co. Ltd., Joyoung Co., Ltd., Dalian Zeus Entertainment Co., Ltd., etc.

Mr. XU Xianglin holds a master's degree in economics from Renmin University of China, and has served as an External Supervisor of the Bank since November 2021. He is a professor and a supervisor for Ph.D. candidates in Economics of the Party School of the CPC Central Committee National School of Administration. He previously served as a teacher in the Department of Agricultural Economic Management of Renmin University of China, a teacher of the Economics Teaching and Research Office of Party School of the CPC Central Committee, and lectured the agricultural and rural economic development course at classes for cadre of the Party School of the CPC Central Committee for a long

time prior to his retirement. He is currently involved in guiding the development of a "three-in-one" integrated farmers' cooperative system in Jingpeng town, Keshiketeng Banner, Inner Mongolia Autonomous Region. He is concurrently serving as the chairman of the board of supervisors of Beijing Jingxi Lilinhui Agricultural and By-products Planting Professional Cooperative.

Mr. WANG Xixin holds a doctor's degree in law from Peking University and has served as an External Supervisor of the Bank since November 2021. He is currently a professor and a supervisor for Ph.D. candidates of Peking University Law School; the director of PKU-Yale Joint Centre for Law and Policy Reform Studies (China) and the Peking University Centre for Public Participation Studies and Supports, the executive dean of Peking University Law & Development Academy, the chief editor of Peking University Law Journal, the director of Peking University Centre for Studies of Constitutional and Administrative Law, being the Key Research Base of Humanities and Social Sciences of Ministry of Education. He previously worked at the Legal Affairs Office of Wuhan Municipal People's Government of Hubei Province; served as a vice dean of Peking University Law School and a deputy chief judge of the Administrative Trial Division of the Supreme People's Court (temporary). He is concurrently serving as a legal advisor of ministries and commissions under the State Council including Ministry of Education and State Administration for Market Regulation, a member of expert consultant committee for local governments including Beijing and Shanghai, and an independent director of Capital Securities Co., Ltd.

SENIOR MANAGEMENT

The following table sets out certain information relating to the Bank's senior management.

Name	Position
WANG Zhiheng	Vice Chairman of the Board of Directors, Executive Director, President and Chief Compliance Officer
LIN Li	Executive Director and Executive Vice President
WANG Wenjin	Executive Vice President
MENG Fanjun	Executive Vice President
WANG Dajun	Executive Vice President
LIU Qing	Secretary to the Board of Directors

For the detailed biographies of Mr. WANG Zhiheng and Mr. LIN Li, see "Executive Directors" above. The biographies of other senior management personnel are as follows:

Mr. WANG Wenjin holds a master's degree in management from Hunan University. He previously served as executive vice president and senior credit executive of Hunan branch, executive vice president and president of Fujian branch, general manager of the Corporate and Institutional Banking Department and vice president of the Management Headquarters for the Integrated Development of Yangtze River Delta, general manager of Aging Finance Department, and chief business officer (corporate and institutional business) and general manager of Corporate and Institutional Banking Department of the head office of Bank of Communications Co., Ltd.

Mr. MENG Fanjun holds a master's degree in business administration from Harbin Institute of Technology and is an accountant. He previously served as secretary of the Party Disciplinary Committee of Shandong Branch, president of Chongqing Branch and president of Sichuan Branch of Agricultural Development Bank of China.

Mr. WANG Dajun holds a doctor's degree in economics from Renmin University of China and is a senior accountant. He previously served as deputy general manager of the Finance and Accounting Department, deputy general manager of the Finance and Accounting Department/Office of Assessment Center/County Area Accounting and Assessment Center, president of Xiamen Branch, president of Henan Branch, and president of Guangdong Branch of the Bank.

COMPANY SECRETARY

Ms. LIU Qing, holds a master's degree in economics from Jilin University and is a senior economist. She previously served as deputy general manager of Seoul Branch and general manager of Frankfurt Branch of the Bank. Since July 2020, she has served as the general manager of the International Banking Department of the Bank.

SPECIAL COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors established the Strategic Planning and Sustainable Development Committee, the County Area Banking Business and Inclusive Finance Development Committee, the Nomination and the Remuneration Committee, the Audit and Compliance Committee and the Risk Management and Consumers' Interests Protection Committee, the Related Party Transactions Management Committee and the Risk Management Committee of Institutions in the United States Regions (responsibilities of which are concurrently assumed by the Risk Management and Consumers' Interests Protection Committee).

STRATEGIC PLANNING AND SUSTAINABLE DEVELOPMENT COMMITTEE

The Strategic Planning and Sustainable Development Committee consists of eight directors, including Mr. GU Shu, Mr. WANG Zhiheng, Mr. LIU Hong, Mr. LIN Li (all are Executive Directors), Mr. JU Jiandong (he is an Independent Non-executive Directors), Ms. ZHOU Ji, Mr. LIU Xiaopeng and Mr. ZHANG Hongwu (all are Non-executive Directors). Mr. GU Shu is the chairman of the Strategic Planning and Sustainable Development Committee. The primary duties of the Strategic Planning and Sustainable Development Committee are to review the overall strategic development plan and specific strategic development plans, major investment and financing plans, establishment of legal entities and other material matters critical to the Bank's development, to formulate the sustainable development strategies and goals of the Bank and regularly assess the risks associated with sustainable development and the implementation of the sustainable development strategies and to make suggestions to the Board of Directors.

COUNTY AREA BANKING BUSINESS AND INCLUSIVE FINANCE DEVELOPMENT COMMITTEE

The County Area Banking Business and Inclusive Finance Development Committee consists of nine directors, including Mr. WANG Zhiheng and Mr. LIU Hong (both are Executive Directors), Mr. LI Wei, Ms. ZHOU Ji, Mr. ZHANG Qi (張奇) and Mr. ZHANG Hongwu (all are Non-executive Directors), Mr. JU Jiandong, Mr. ZHANG Qi (張琦) and

Mr. WU Liansheng (all are Independent Non-executive Directors). Mr. WANG Zhiheng is the chairman of the County Area Banking Business and Inclusive Finance Development Committee. The primary duties of the County Area Banking Business and Inclusive Finance Development Committee are to review the strategic development plan, policies and basic management rules, risk management strategic plan and other major matters in relation to the development of the County Area Banking Business and Inclusive Finance, as well as supervise the implementation of the strategic development plan, policies and basic management rules of the County Area Banking Business and Inclusive Finance, and to provide suggestions to the Board of Directors.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee consists of eight directors, including Mr. WANG Zhiheng (he is an Executive Director), Mr. LI Wei, Ms. ZHOU Ji (both are Non-executive Directors), Mr. JU Jiandong, Mr. WU Liansheng, Mr. WANG Changyun, Ms. ZHUANG Yumin, Mr. ZHANG Qi (張琦) (all are Independent Non-executive Directors). Mr. JU Jiandong is the chairman of the Nomination and Remuneration Committee. The primary duties of the Nomination and Remuneration Committee are to formulate standards and procedures for election of directors, chairman and members of special committees and senior management members, and to make recommendations regarding the proposed candidates for directors and senior management members and their qualifications to the Board of Directors, as well as to formulate the remuneration policies for directors and senior management members, and to submit the remuneration packages to the Board of Directors for consideration.

AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee of the Board of Directors currently comprises six directors, including Mr. LIN Li (he is an Executive Director), Mr. ZHANG Qi (張奇) and Mr. LI Wei (both are Non-executive Directors), Ms. WONG Pui Sze Priscilla, Mr. WANG Changyun and Mr. ZHUANG Yumin (all are Independent Non-executive Directors). Mr. WU Liansheng is the chairman of the Audit and Compliance Committee. The primary duties of the Audit and Compliance Committee are to review the Bank's internal control and management policy, material financial and accounting policies, audit general managements systems and regulations, medium and long-term audit plan and annual work plan, and to make suggestions to the Board of Directors; as well as to review and approve the Bank's general policy on prevention and control of cases of violation, and to effectively scrutinise and oversee the Bank's prevention and control of cases of violation.

RISK MANAGEMENT AND CONSUMERS' INTERESTS PROTECTION COMMITTEE

The Risk Management and Consumers' Interests Protection Committee consists of seven directors, including Mr. LIN Li (he is an Executive Director), Mr. LIU Xiaopeng, Mr. ZHANG Qi (張奇) and Mr. ZHANG Hongwu (all are Non-executive Directors), Mr. WU Liansheng, Ms. WONG Pui Sze Priscilla and Mr. WANG Changyun (all are Independent Non-executive Directors). Mr. WANG Changyu is the chairman of the Risk Management and Consumers' Interests Protection Committee. The primary duties of the Risk Management and Consumers' Interests Protection Committee are to review the Bank's strategic plan of risk management, risk appetite, material risk management policies, risk management report and allocation plan of risk-weighted capital, to review the Bank's

strategies, policies and objectives of consumer protection, to continuously oversee the risk management system, to supervise and evaluate the Bank's work in risk management and consumers' interest protection, and to provide suggestions to the Board of Directors.

RELATED PARTY TRANSACTIONS MANAGEMENT COMMITTEE

The Related Party Transactions Management Committee of the Board of Directors currently comprises four directors, including Mr. WANG Changyun, Ms. ZHUANG Yumin, Mr. ZHANG Qi (張琦) and Ms. WONG Pui Sze Priscilla (all are Independent Non-executive Directors). Ms. ZHUANG Yumin is the chairman of the Related Party Transactions Management Committee. The primary duties of the Related Party Transactions Management Committee are to identify related parties of the Bank, review the Bank's general management system for related party transactions, review and record the related party transactions, and make suggestions to the Board of Directors.

RISK MANAGEMENT COMMITTEE OF INSTITUTIONS IN THE UNITED STATES REGIONS

The Risk Management Committee of Institutions in the United States Regions of the Board of Directors currently comprises seven directors, including Mr. LIN Li (he is an Executive Directors), Mr. LIU Xiaopeng, Mr. ZHANG Qi (張奇) and Mr. ZHANG Hongwu (all are Non-executive Directors), Mr. WU Liansheng, Ms. WONG Pui Sze Priscilla and Mr. WANG Changyun (all are Independent Non-executive Directors). Mr. WANG Changyun is the chairman of the Risk Management Committee of Institutions in the United States Regions. The primary duties of the Risk Management Committee of Institutions in the United States Regions are to review and approve the risk management policies in relation to businesses in the United States regions and supervise its implementation, as well as to review issues identified in the internal and external inspection of institution in the United States regions and the report on relevant rectification, and other matters authorised by the Board of Directors. Responsibilities of the Risk Management Committee of Institutions in the United States Regions are concurrently assumed by the Risk Management and Consumers' Interests Protection Committee.

CONFLICTS OF INTEREST

As far as is known to the Bank, no potential conflicts of interest exist between any duties to the Bank of any directors or senior management and their private or other duties.

TAXATION

The following summary of certain PRC, Hong Kong, U.S. and Singapore tax consequences of the purchase, ownership and disposal of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. Persons considering the purchase of the Notes should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

PRC TAXATION

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC and its implementation regulations, enterprises that are established under laws of foreign countries and regions whose "de facto management bodies" are within the territory of the PRC are deemed as PRC tax resident enterprises for the purpose of the Enterprise Income Tax Law. Unless otherwise tax reduction or exemption is available to the enterprise, a resident enterprise shall pay enterprise income tax at the rate of 25 per cent. in respect of its income sourced from both within and outside PRC. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the relevant Issuer or the enterprise holder of the Notes is within the territory of the PRC, the relevant Issuer or the enterprise holder of the Notes will be deemed as a PRC tax resident enterprise for the purpose of the Enterprise Income Tax Law and be subject to enterprise income tax at the rate of 25 per cent. on its income from sources both within and outside PRC, unless tax reduction or exemption is available to the relevant Issuer or the enterprise holder of the Notes.

Withholding Tax

The Enterprise Income Tax Law and its implementation regulations impose a withholding tax at the rate of 10 per cent. on PRC-source income paid to a "nonresident enterprise" that does not have an establishment or place of business or production in PRC or that has an establishment or place of business or production in PRC but the relevant income is not effectively connected therewith. Pursuant to these provisions of the Enterprise Income Tax Law and its implementation regulations, in the event the relevant Issuer is considered a PRC resident enterprise by the PRC tax authorities in the future, interest payable to or capital gain realised by nonresident enterprise holders of the Notes may be treated as income derived from sources within PRC and subject to such PRC withholding tax.

Further, the Individual Income Tax Law of the PRC and its implementation regulations impose a withholding tax on any income from sources both within and outside the PRC paid to any individual who has a domicile within the PRC or has no domicile but has stayed in the PRC for 183 days or more cumulatively within a tax year and on any income from

sources within PRC paid to any individual who has no domicile in the PRC and has not stayed in the PRC for fewer than 183 days cumulatively within a tax year. If the individual holder of the Notes has a domicile within the PRC or has no domicile but has stayed in the PRC for 183 days or more cumulatively within a tax year, any interest payable to or any capital gain realised by such individual holder of the Notes will be subject to a 20 per cent. individual income tax. If the relevant Issuer is considered a PRC tax resident enterprise, any interest payable to or any capital gain realised by individual holders of the Notes who have no domicile within the PRC and has not stayed in the PRC for fewer than 183 days cumulatively within a tax year may be treated as income derived from sources within PRC and subject to a 20 per cent. individual income tax.

To the extent that PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified holders of the Notes.

Stamp Duty

No PRC stamp tax will be chargeable upon the issue or transfer of a Note to the extent that the register of holders of the Notes is maintained outside PRC.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes, provided that either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the "**SDO**")).

If stamp duty is payable, it is payable by the relevant Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

(i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Registered Notes constitute loan capital (as defined in the SDO).

With effect from 17 November 2023, if stamp duty applies to the transfer of Registered Notes required to be registered in Hong Kong and which are not otherwise exempt it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

UNITED STATES FATCA TAX PROVISIONS

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under "*Terms and Conditions of the Notes — Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Noteholders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

SINGAPORE

*The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by the Inland Revenue Authority of Singapore ("**IRAS**") and the Monetary Authority of Singapore (the "**MAS**") in force as at the date of this Offering Circular and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which could be made on a retroactive basis. These laws, guidelines and circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Offering Circular are intended or are to be regarded as advice on the tax position of any holder of the Notes or of*

any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s) or hold a specified licence) may be subject to special rules or tax rates. Holders and prospective holders of the Notes are advised to consult their own professional tax advisors as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Notes, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that none of the Issuer, the Arrangers, Dealers or and any other persons involved in the Programme or the issue of the Notes accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Notes.

*In addition, the disclosure below is made on the assumption that the IRAS regards each tranche of Notes as "debt securities" for the purposes of the Income Tax Act, Chapter 134 of Singapore (the "**ITA**") and that interest payments made under each tranche of the Notes will be regarded as interest payable on indebtedness and holders thereof may therefore enjoy the tax concessions and exemptions available for qualifying debt securities, provided that the conditions for the Qualifying Debt Securities scheme are satisfied. If any tranche of such the Notes is not regarded as "debt securities" for the purposes of the ITA, or any interest payment made under any tranche of the Notes is not regarded as interest payable on indebtedness or holders thereof are not eligible for the tax concessions under the Qualifying Debt Securities scheme, the tax treatment to holders may differ. Investors and holders of any tranche of the Notes should consult their own professional accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of any tranche of the Notes.*

The disclosure in paragraphs 1 to 3 and 5 to 7 below summarises the tax treatment currently applicable where the Issuer is Agricultural Bank of China Limited Singapore Branch or any other entity which is resident in Singapore for the purposes of the ITA.

1 Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the ITA, the following payments are deemed to be derived from Singapore:

(a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

(b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15 per cent. final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17 per cent. The applicable rate for non-resident individuals is currently 24 per cent. However, if the payment is derived by a person not resident in Singapore from sources other than from its trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15 per cent. The rate of 15 per cent. may be reduced by applicable tax treaties.

However, certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

(a) interest from debt securities derived on or after 1 January 2004;

(b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and

(c) early redemption fee and redemption premium from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession in Singapore.

2 Withholding Tax Exemption on Payments by (amongst others) Licensed Banks

Pursuant to Section 45I of the ITA, payments of income which are deemed under Section 12(6) of the ITA to be derived from Singapore and which are made by a specified entity shall be exempt from withholding tax if such payments are liable to be made by such specified entity for the purpose of its trade or business under a debt security which is issued within the period from 17 February 2012 to 31 December 2026. Notwithstanding the above, permanent establishments in Singapore of non-resident persons are required to declare such payments in their annual income tax returns and will be assessed to tax on such payments (unless specifically exempt from tax).

A specified entity includes a bank or merchant bank licensed under the Banking Act 1970 of Singapore.

3 Qualifying Debt Securities Scheme

If a Tranche of Notes is issued under the Programme (the "**Relevant Notes**") during the period from the date of this Offering Circular to (and including) 31 December 2028 and if more than half of the Relevant Notes are distributed by the following entities holding the relevant licenses (collectively, "**specified licensed entities**"):

(a) any bank or merchant bank licensed under the Banking Act 1970 of Singapore;

(b) any finance company licensed under the Finance Companies Act 1967 of Singapore; or

(c) an entity that holds a Capital Markets Services Licence under the Securities and Futures Act 2001 of Singapore to carry out regulated activities — Advising on Corporate Finance or Dealing in Capital Markets Products — Securities,

the Relevant Notes would be "**qualifying debt securities**" pursuant to the ITA and the MAS Circular FDD Cir 08/2023 entitled "Qualifying Debt Securities and Primary Dealer Schemes — Extension and Refinements" issued by the MAS on 31 May 2023 (the "**MAS Circular**"), to which the following treatments shall apply:

(i) subject to certain prescribed conditions having been fulfilled (including the submission to the MAS of a return on debt securities in respect of the Relevant Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Relevant Notes as the MAS may require, and the inclusion by the Issuer in all offering documents relating to the Relevant Notes of a statement to the effect that where interest, discount income, early redemption fee or redemption premium from the Relevant Notes is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Relevant Notes using funds from that person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), early redemption fee and redemption premium (collectively, the "**Qualifying Income**") from the Relevant Notes derived by a holder who is not resident in Singapore and who (aa) does not have any permanent establishment in Singapore or (bb) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Relevant Notes are not obtained from such person's operation through a permanent establishment in Singapore, are exempt from Singapore tax;

(ii) subject to certain conditions having been fulfilled (including the submission to the MAS of a return on debt securities in respect of the Relevant Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Relevant Notes as the MAS may require), Qualifying Income from the Relevant Notes derived by any company or body of persons (as defined in the ITA) in Singapore is subject to income tax at a concessionary rate of 10 per cent. (except for holders who have been granted the relevant Financial Sector Incentive(s) who may be taxed at different rates); and

(iii) subject to:

(a) the Issuer including in all offering documents relating to the Relevant Notes a statement to the effect that any person whose interest, discount income, early redemption fee or redemption premium derived from the Relevant Notes is not exempt from tax shall include such income in a return of income made under the ITA; and

(b) the submission to the MAS of a return on debt securities in respect of the Relevant Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Relevant Notes as the MAS may require,

payments of Qualifying Income derived from the Relevant Notes are not subject to withholding of tax by the Issuer.

However, notwithstanding the foregoing:

(A) if during the primary launch of any tranche of the Relevant Notes, the Relevant Notes of such tranche are issued to less than four persons and 50 per cent. or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by related parties of the Issuer, such Relevant Notes would not qualify as "qualifying debt securities"; and

(B) even though a particular tranche of Relevant Notes are "qualifying debt securities", if, at any time during the tenure of such tranche of Relevant Notes, 50 per cent. or more of the issue of such Relevant Notes which are outstanding at any time during the life of the issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income derived from such Relevant Notes held by:

(i) any related party of the Issuer; or

(ii) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption or concessionary rate of tax as described above.

The term "**related party**", in relation to a person, means any other person who, directly or indirectly, controls that person, or is being controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms "**early redemption fee**" and "**redemption premium**" are defined in the ITA as follows:

(a) "**early redemption fee**", in relation to debt securities, qualifying debt securities or qualifying project debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities; and

(b) "**redemption premium**", in relation to debt securities, qualifying debt securities or qualifying project debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity or on the early redemption of the securities.

References to "early redemption fee" and "redemption premium" in this Singapore tax disclosure have the same meaning as defined in the ITA.

Where interest, discount income, early redemption fee and redemption premium (i.e. the Qualifying Income) is derived from any of the Relevant Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities under the ITA (as mentioned above) shall not apply if such person acquires

such Relevant Notes using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, early redemption fee or redemption premium derived from the Relevant Notes is not exempt from tax (including for the reasons described above) shall include such income in a return of income made under the ITA.

Notwithstanding that the Issuer is permitted to make payments of Qualifying Income in respect of the Relevant Notes without deduction or withholding for tax under Section 45 or Section 45A of the ITA, any person whose interest, discount income, early redemption fee or redemption premium (i.e. the Qualifying Income) derived from the Relevant Notes is not exempt from tax is required to include such income in a return of income made under the ITA.

The disclosure in paragraphs 4 to 7 below summarises the tax treatment currently applicable where the Issuer is not resident in Singapore and not a Singapore Branch of a non-resident person for the purposes of the ITA.

4 Qualifying Debt Securities Scheme

If a Tranche of Notes is issued under the Programme (the "**Relevant Notes**") during the period from the date of this Offering Circular to (and including) 31 December 2028 and if more than half of the Relevant Notes are distributed by specified licensed entities (as defined above), the Relevant Notes would be "**qualifying debt securities**" pursuant to the ITA and the MAS Circular, to which the following treatment shall apply: subject to certain conditions having been fulfilled (including the submission to the MAS of a return on debt securities in respect of the Relevant Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Relevant Notes as the MAS may require), interest, discount income (not including discount income arising from secondary trading), early redemption fee and redemption premium (collectively, the "**Qualifying Income**") from the Relevant Notes derived by any company or body of persons (as defined in the ITA) in Singapore is subject to income tax at a concessionary rate of 10 per cent. (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates).

However, notwithstanding the foregoing:

(A) if during the primary launch of any tranche of the Relevant Notes, the Relevant Notes of such tranche are issued to less than four persons and 50 per cent. or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by related parties of the Issuer, such Relevant Notes would not qualify as "qualifying debt securities"; and

(B) even though a particular tranche of Relevant Notes are "qualifying debt securities", if at any time during the tenure of such tranche of Relevant Notes, 50 per cent. or more of the issue of such Relevant Notes which are outstanding at any time during the life of the issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income derived from such Relevant Notes held by:

(i) any related party of the Issuer; or

(ii) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for concessionary rate of tax as described above.

The term "**related party**", in relation to a person, means any other person who, directly or indirectly, controls that person, or is being controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms "**early redemption fee**" and "**redemption premium**" are defined in the ITA as follows:

(a) "**early redemption fee**", in relation to debt securities, qualifying debt securities or qualifying project debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities; and

(b) "**redemption premium**", in relation to debt securities, qualifying debt securities or qualifying project debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity or on the early redemption of the securities.

References to "early redemption fee" and "redemption premium" in this Singapore tax disclosure have the same meaning as defined in the ITA.

5 Capital Gains

Where the Issuer is Agricultural Bank of China Limited Singapore Branch or any other entity which is resident in Singapore for the purposes of the ITA

Any gains considered to be in the nature of capital made from the sale of the Notes will generally not be taxable in Singapore. However, any gains derived by any person from the sale of the Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Notes who apply or are required to apply Singapore Financial Reporting Standards 109 ("**FRS 109**") or Singapore Financial Reporting Standards (International) 9 ("**SFRS(I) 9**") may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 109 or SFRS(I) 9 (as the case may be) (as modified by the applicable provisions of Singapore income tax law). Please see the section below on "*Adoption of FRS 109 or S FRS(I) 9 Treatment for Singapore Income Tax Purposes*".

Where the Issuer is not resident in Singapore and not a Singapore Branch of a non-resident person for the purposes of the ITA.

Any gains considered to be in the nature of capital made from the sale of the Notes will generally not be taxable in Singapore. However, any gains derived by any person from the sale of the Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Notes who apply or are required to apply Singapore Financial Reporting Standards 109 ("**FRS 109**") or Singapore Financial Reporting Standards (International) 9 ("**SFRS(I) 9**") may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 109 or SFRS(I) 9 (as the case may be) (as modified by the applicable provisions of Singapore income tax law). Please see the section below on "*Adoption of FRS 109 or SFRS(I) 9 Treatment for Singapore Income Tax Purposes*".

In addition, any gains from the sale or disposal of the Notes or any rights or interest thereof by an entity of a relevant group within the meaning of section 10L(5) of the ITA (for example, an entity of a multinational group that does not have adequate economic substance in Singapore) on or after 1 January 2024 that are received in Singapore from outside Singapore are treated as income chargeable to tax under Section 10(1)(g) of the ITA, subject to certain exceptions.

6 Adoption of FRS 109 or SFRS(I) 9 Treatment for Singapore Income Tax Purposes

Section 34AA of the ITA requires taxpayers who comply or who are required to comply with FRS 109 or SFRS(I) 9 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109 or SFRS(I) 9 (as the case may be), subject to certain exceptions. The IRAS has also issued a circular entitled "Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 — Financial Instruments".

Holders of the Notes who may be subject to the tax treatment under Section 34AA of the ITA should consult their own tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

7 Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

PRC CURRENCY CONTROLS

REMITTANCE OF RENMINBI INTO AND OUTSIDE THE PRC

The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.

CURRENT ACCOUNT ITEMS

Under PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. On July 2009, the PRC government promulgated Measures for the Administration of the Pilot Programme of Renminbi Settlement of Cross-Border Trades (跨境貿易人民幣結算試點管理辦法) (the "**Measures**") and its implementation rules, pursuant to which designated and eligible enterprises are allowed to settle their cross-border trade transactions in Renminbi. Since July 2009, subject to the Measures and its implementation rules, the PRC has commenced a scheme pursuant to which Renminbi may be used for settlement of cross-border trade between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. On 17 June 2010, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades (關於擴大跨境貿易人民幣結算試點有關問題的通知), pursuant to which (i) the list of designated pilot districts was expanded to cover 20 provinces including Beijing, Shanghai, Tianjin, Chongqing, Guangdong, Jiangsu, Zhejiang, Liaoning, Shandong and Sichuan, and (ii) the restriction on designated offshore districts was lifted. Accordingly, any enterprises in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle any current account items between them (except in the case of payments for exports of goods from the PRC, such Renminbi remittance may only be effected by approved pilot enterprises in 16 provinces within the designated pilot districts in the PRC). On 1 August 2011, the PRC government promulgated the Circular on the Expansion of the Regions of Renminbi Settlement of Cross-Border Trades (關於擴大跨境貿易人民幣結算地區的通知), pursuant to which the list of designated pilot districts was expanded to the whole country. On 3 February 2012, the PRC government promulgated the Circular on the Relevant Issues Pertaining to Administration over Enterprises Engaging in Renminbi Settlement of Export of Goods (關於出口貨物貿易人民幣結算企業管理有關問題的通知), pursuant to which any enterprises in China which are qualified to engage in import and export trade are allowed to settle their goods export trade in Renminbi. On 29 April 2019, the SAFE issued the Notice on Issuing the Measures for the Administration of the Foreign Exchange Business of Payment Institutions (國家外匯管理局關於印發《支付機構外匯業務管理辦法》的通知), which facilitates domestic institutions and individuals to carry out e-commerce trade through the Internet, standardises the cross-border capital flows through the Internet channel.

The Measures and the subsequent circulars and notice will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Measures and impose conditions for settlement of current account items.

CAPITAL ACCOUNT ITEMS

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration or filing with, the relevant PRC authorities.

Until recently, settlement of capital account items, for example, the capital contribution of foreign investors to foreign invested enterprises in the PRC, were generally required to be made in foreign currencies. Under progressive reforms by PBOC, the Ministry of Commerce of the PRC ("**MOFCOM**") and the State Administration of Foreign Exchange of the PRC ("**SAFE**"), foreign investors are now permitted to make capital contribution, share transfer, profit allocation and liquidation and certain other transactions in Renminbi for their foreign direct investment within the PRC. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approval, registration and filing requirements for capital account payments in Renminbi are being removed gradually. In addition, the Circular on Reforming Foreign Exchange Capital Settlement for Foreign Invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知) which became effective on 1 June 2015 and partly invalidated by Notice by the State Administration of Foreign Exchange of Repealing or Invalidating Five Regulatory Documents on Foreign Exchange Administration and Clauses of Seven Regulatory Documents on Foreign Exchange Administration (國家外匯管理局關於廢止和失效5件外匯管理規範性檔及7件外匯管理規範性檔條款的通知) issued and effective on 30 December 2019, allows foreign invested enterprises to settle 100% (subject to future adjustment at discretion of SAFE) of the foreign currency capital (which has been processed through the SAFE's equity interest confirmation procedure for capital contribution in cash or registered by a bank on the SAFE's system for account-crediting for such capital contribution) into Renminbi according to their actual operational needs. A negative list with respect to the usage of the capital and the Renminbi proceeds through the aforementioned settlement procedure is set forth under the Circular. In particular, a foreign invested enterprise with investment as its main business is permitted to use such Renminbi proceeds to make equity contribution to its invested enterprises directly, without further fillings with SAFE.

PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as "**foreign debt**") and lend Renminbi-denominated loans to foreign borrowers (which are referred to as "**outbound loans**"), as long as such PRC entities have the necessary quota, approval or registration. PRC entities may also denominate security or guarantee arrangements in denominated and make payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as "**cross-border security**"). Under current rules promulgated by SAFE, foreign debts borrowed, outbound loans extended, and the cross-border security provided by a PRC onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies. However, there remains potential inconsistencies between the provisions of the SAFE rules and the provisions of the 2013 PBOC Circular. It is not clear how regulators will deal with such inconsistencies in practice.

Nevertheless, since January 2016, PBOC and SAFE have worked to set up the Macro Prudential Assessment ("**MPA**") system in order to unify the management of foreign debt denominated in Renminbi and foreign currencies. The latest MPA system is established pursuant to the 2017 PBOC Circular. Under the MPA system, both non-financial

enterprises and financial institutions are allowed to borrow foreign debt within the defined "cross-border financing risk weighted balance limit". They can settle foreign debt proceeds in Renminbi on a voluntary basis, provided that the proceeds should not be used beyond their business scope or in violation of relevant laws and regulations.

According to the 2015 PBOC Circular, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stock, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group. Enterprises within the Shanghai FTZ may establish another cash pool under the Shanghai FTZ rules to extend inter-company loans, although Renminbi funds obtained from financing activities may not be pooled under this arrangement.

The securities markets, specifically the Renminbi Qualified Foreign Institutional Investor ("**RQFII**") regime and the China Interbank Bond Market ("**CIBM**"), has been further liberalised for foreign investors. The PBOC has relaxed the quota control for RQFII, and has also expanded the list of eligible foreign investors in CIBM, removed certain quota restrictions, and has granted more flexibility for the settlement agents to provide the relevant institutions with more trading facilities (for example, in relation to derivatives for hedging foreign exchange risk).

The Interbank foreign exchange market of the PRC is also gradually opening-up. In January 2016, CFETS set forth qualifications, application materials and procedure for certain foreign participating banks (which needs to have a relatively large scale of Renminbi purchase and sale business and international influence) to access the inter-bank foreign exchange market.

Recent reforms introduced were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items. There is no assurance that the PRC government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future. The relevant regulations are relatively new and will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

CLEARANCE AND SETTLEMENT

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, Luxembourg or the CMU (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor any Dealer or the Arrangers takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.*

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

THE CLEARING SYSTEMS

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

CMU

The CMU is a central depositary service provided by the Central Money markets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("**CMU Members**") of capital markets instruments ("**CMU Instruments**") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to all members of the Hong Kong Capital

Markets Association and "authorised institutions" under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong). For further details on the full range of the CMU's custodial services, please refer to the CMU Reference Manual.

The CMU has an income distribution service which is a service offered by the CMU to facilitate the distribution of interest, coupon or redemption proceeds by CMU Members who are paying agents to the legal title holders of CMU Instruments via the CMU system. Furthermore, the CMU has a corporate action platform which allows an issuer (or its agent) to make an announcement/notification of a corporate action and noteholders to submit the relevant certification. For further details, please refer to the CMU Reference Manual.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU is limited. In particular (and unlike the European Clearing Systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-US beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg, in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg, each have with the CMU.

BOOK-ENTRY OWNERSHIP

Bearer Notes

The Issuer has made applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or a sub-custodian for the CMU. Transfers of interests in a temporary Global Note or a permanent Global Note will be made in accordance with the normal market debt securities operating procedures of the CMU, Euroclear and Clearstream, Luxembourg.

Registered Notes

The Issuer may make applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Global Certificate. The Issuer may also apply to have Notes to be represented by a Global Certificate accepted for clearance through the CMU. Each Global

Certificate will have an International Securities Identification Number ("**ISIN**") and a Common Code. Investors in Notes of such Series may hold their interests in a Global Certificate through Euroclear, Clearstream, Luxembourg or the CMU (if applicable).

Each Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under "*Subscription and Sale*".

All Registered Notes will initially be in the form of a Global Certificate. Individual Certificates will be available, in the case of Notes initially represented by a Global Certificate, in amounts specified in the applicable Pricing Supplement.

SUBSCRIPTION AND SALE

SUMMARY OF THE DEALER AGREEMENT

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 16 January 2024 (the "**Dealer Agreement**") between the Bank, Agricultural Bank of China Limited Hong Kong Branch 中國農業銀行股份有限公司香港分行, the Arrangers and the Permanent Dealers, the Notes will be offered on a continuous basis by the relevant Issuer to the Permanent Dealers. However, the relevant Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers as at the date of the Dealer Agreement. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the relevant Issuer through the Dealers, acting as agents of the relevant Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are severally underwritten by two or more Dealers.

The relevant Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The relevant Issuer has agreed to reimburse the Arrangers for certain of its expenses incurred in connection with the Programme and the Dealers for certain of their activities in connection with the Programme.

The relevant Issuer has agreed to indemnify the Dealers and their affiliates against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement provides that the obligations of the Dealers are subject to certain conditions precedent and entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the relevant Issuer.

The Arrangers, the Dealers and their respective subsidiaries and affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, corporate financing, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Arrangers, the Dealers and their respective subsidiaries and affiliates may have, from time to time, performed and may in the future perform, various Banking Services or Transactions with the relevant Issuer, or its subsidiaries and affiliates, for which they have received, or will receive, customary fees and expenses.

In the ordinary course of their various business activities, the Arrangers, the Dealers and their respective subsidiaries and affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the relevant Issuer and its subsidiaries or affiliates. Certain of the Arrangers, the Dealers and their respective subsidiaries and affiliates may from time to time also enter into swap and other derivative transactions with the relevant Issuer and its subsidiaries or affiliates. The Arrangers, the Dealers and their respective subsidiaries and affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In connection with each Tranche of Notes issued under the Programme, the Arrangers, the Dealers or certain of their subsidiaries or affiliates, or the relevant Issuer and its subsidiaries and affiliates, may act as investors and place orders, purchase and receive allocations and may trade the Notes for their own account and such orders, purchases, allocations or trade of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the relevant Issuer, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering of the relevant Tranche of Notes. Accordingly, references herein to the Notes being "offered" should be read as including any offering of the Notes to the Arrangers, the Dealers and/or their respective subsidiaries, or to the relevant Issuer and its subsidiaries and affiliates, as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Notes may be impacted.

Furthermore, it is possible that a significant proportion of the Notes may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Notes may be constrained. The relevant Issuer and the Dealers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

The Arrangers, the Dealers or any of their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the relevant Issuer or its associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

NOTICE TO CAPITAL MARKET INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT — IMPORTANT NOTICE TO CMIS (INCLUDING PRIVATE BANKS)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the relevant Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the relevant Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the relevant Issuer or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the relevant Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Notes. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Dealer(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;

- Whether an underlying investor has any "Associations"(as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order"(as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Dealers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that it and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the relevant Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer with such evidence within the timeline requested.

By placing an order, prospective investors (including any underlying investors in relation to omnibus orders) are deemed to represent to the Dealers that it is not a Sanctions Restricted Person. A "Sanctions Restricted Person" means an individual or entity (a "**Person**"): (a) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current "Specially Designated Nationals and Blocked Persons" list (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/sdnlist.pdf) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/fse/fselist.pdf) or (iii) the most current "Consolidated list of persons, groups and entities subject to EU financial sanctions" (which as of the date hereof can be found at: https://eeas.europa.eu/headquarters/headquartershomepage_en/8442/Consolidated%20list%20of%20sanctions); or (b) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of: (i) their inclusion in the most current "Sectoral Sanctions Identifications" list (which as of the date hereof can be found at: https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf) (the "**SSI List**"), (ii) their inclusion in Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the "**EU Annexes**"), (iii) their inclusion in any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes, (iv) them being the subject of restrictions imposed by the U.S. Department of Commerce's Bureau of Industry and Security ("**BIS**") under which BIS has restricted exports, re-exports or transfers of certain controlled goods, technology or software to such individuals or entities; (v) them being an entity listed in the Annex to the new Executive Order of 3 June 2021 entitled "Addressing the Threat from Securities

Investments that Finance Certain Companies of the People's Republic of China" (known as the Non-SDN Chinese Military-Industrial Complex Companies List), which amends the Executive Order 13959 of 12 November 2020 entitled "Addressing the threat from Securities Investments that Finance Chinese Military Companies"; or (vi) them being subject to restrictions imposed on the operation of an online service, Internet application or other information or communication services in the United States directed at preventing a foreign government from accessing the data of U.S. persons; or (c) that is located, organised or a resident in a comprehensively sanctioned country or territory, including Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the Donetsk's People's Republic or Luhansk People's Republic. "Sanctions Authority" means: (a) the United States government; (b) the United Nations; (c) the European Union (or any of its member states); (d) the United Kingdom; (e) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and (f) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United States Department of State, the United States Department of Commerce and the United Kingdom government (including H.M. Treasury and the Foreign, Commonwealth & Development Office).

SELLING RESTRICTIONS

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised. No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

If a jurisdiction requires that an offering of Notes be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by that Dealers or its affiliate on behalf of the relevant Issuer in such jurisdiction.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act. Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it has offered and sold, and shall offer and sell, the Notes of any identifiable tranche (1) as part of their distribution at any time and (2) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, as determined and certified to the Issuer and each relevant Dealer, by the Fiscal Agent or, in the case of Syndicated Issue, the Lead Manager, only in

accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and shall comply with the offering restrictions requirement of Regulation S. Each Dealer agrees to notify the Fiscal Agent or, in the case of a Syndicated Issue, the Lead Manager when it has completed the distribution of its portion of the Notes of any identifiable tranche so that the Fiscal Agent or, in the case of a Syndicated Issue, the Lead Manager may determine the completion of the distribution of all Notes of that tranche and notify the other relevant Dealers of the end of the distribution compliance period. Each Dealer agrees that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Notes covered hereby have not been registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of Notes of which such Notes are a part, except in either case in accordance with Regulation Sunder the Securities Act. Terms used above have the meaning given to them by Regulation S under the Securities Act."

Terms used in the above paragraph have the meanings given to them by Regulation S.

Bearer Notes having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended (the "**Code**").

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer that is not participating in the offering of such Notes may violate the registration requirements of the Securities Act.

Unless the Pricing Supplement or the Subscription Agreement relating to one or more Tranches specifies that the applicable TEFRA exemption is either "C Rules" or "not applicable", each Dealer has represented and agreed in relation to each Tranche of Notes in bearer form:

(i) except to the extent permitted under U.S. Treas. Reg. §1.163–5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the "**D Rules**"):

    (a) it has not offered or sold, and during a 40 day restricted period shall not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person; and

    (b) it has not delivered and shall not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;

(ii) it has and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(iii) if it is a United States person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it shall only do so in accordance with the requirements of U.S. Treas. Reg. §1.163–5(c)(2)(i)(D)(6); and

(iv) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period, it either (a) repeats and confirms the representations contained in sub-paragraphs (i), (ii) and (iii) on behalf of such affiliate or (b) agrees that it shall obtain from such affiliate for the benefit of the Issuer the representations contained in sub-paragraphs (i), (ii) and (iii).

Terms used in this paragraph have the meanings given to them by the Code, including the D Rules.

To the extent that the Pricing Supplement or the Subscription Agreement relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is "C Rules", under U.S. Treas. Reg. §1.163–5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the "**C Rules**"), Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer has represented and agreed that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance. Further, in connection with their original issuance of Notes in bearer form, it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions or otherwise involve its U.S. office in the offer or sale of Notes in bearer form. Terms used in this paragraph have the meanings given to them by the Code, including the "C Rules".

Each issuance of index-, commodity- or currency-linked Notes shall be subject to such additional U.S. selling restrictions as the relevant Dealer(s) shall agree with the relevant Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each relevant Dealer has agreed that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the applicable Pricing Supplement in relation thereto to any retail investor in the European Economic Area.

For the purposes of this provision:

(i) the expression "**retail investor**" means a person who is one (or more) of the following:

  (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

  (b) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (c) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"); and

(ii) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Prohibition of sales to UK Retail Investors

The Notes are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the United Kingdom.

For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is either one (or both) of the following:

  (i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or

  (ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the POATRs (as defined below); and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to buy or subscribe for the Notes.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to the public in the United Kingdom except such offer is being made:

(A) at any time where the offer is conditional on the admission of the Notes to trading on the London Stock Exchange plc's main market (in reliance on the exception in paragraph 6(a) of Schedule 1 to the POATRs);

(B) at any time to any legal entity which is a qualified investor as defined in paragraph 15 of Schedule 1 to the POATRs;

(C) at any time to fewer than 150 persons (other than qualified investors as defined in paragraph 15 of Schedule 1 to the POATRs) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer;

(D) at any time if the denomination per unit of Notes being offered amounts to at least GBP50,000 (or equivalent); or

(E) at any time in any other circumstances falling within Part 1 of Schedule 1 to the POATRs.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to buy or subscribe for the Notes and the expression "**POATRs**" means the Public Offers and Admissions to Trading Regulations 2024.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell the Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document

being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Unless the Pricing Supplement in respect of any Notes specifies "Singapore Sales to Institutional Investors and Accredited Investors only" as "Not Applicable", each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

If the Pricing Supplement in respect of Notes specifies "Singapore Sales to Institutional Investors and Accredited Investors only" as "Not Applicable", each Dealer acknowledges, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Singapore SFA Product Notification: *The Pricing Supplement in respect of certain Tranche of Notes may include a legend entitled "Singapore SFA Product Classification" which will state the product classification of the Notes pursuant to Section 309B(1) of the SFA. If so, the relevant Issuer will make a determination and provide the appropriate written notification to "relevant persons" in relation to each issue about the classification of the Notes being offered for the purposes of Section 309B(1)(a) and Section 309B(1)(c) of the SFA.*

PRC

Each Dealer has represented and agreed that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by applicable laws of the People's Republic of China.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (the "**Australian Corporations Act**") in relation to the Notes has been, or will be, lodged with the Australian Securities and Investments Commission ("**ASIC**"). Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, unless the relevant Pricing Supplement (or a relevant supplement to this Offering Circular) otherwise provides, it:

(i) has not made or invited, and will not make or invite, an offer of the Notes for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and

(ii) has not distributed or published, and will not distribute or publish, any offering circular or any other offering material or advertisement relating to the Notes in Australia, unless:

  (a) the aggregate consideration payable by each offeree is at least A$500,000 (or its equivalent in an alternative currency, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation does not otherwise require disclosure to investors under Parts 6D.2 or 7.9 of the Australian Corporations Act;

(b) the offer or invitation does not constitute an offer to a "retail client" for the purposes of section 761G and 761GA of the Australian Corporations Act;

(c) such action complies with any applicable laws, regulations and directives (including without limitation, the licensing requirements set out in Chapter 7 of the Australian Corporations Act) in Australia; and

(d) such action does not require any document to be lodged with ASIC.

New Zealand

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes may not be offered for issue or sale to any person in New Zealand and no offering document or advertisement may be published or distributed in New Zealand, except to wholesale investors within the meaning of, and in compliance with, the Financial Markets Conduct Act 2013 of New Zealand.

GENERAL INFORMATION

1. **Clearing Systems:** The Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The relevant Issuer may also apply to have Notes accepted for clearance through the CMU. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. The relevant ISIN, the relevant Common Code and (where applicable) the identification number for any other relevant clearing system for each series of Notes will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be set out in the relevant Pricing Supplement.

   The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the relevant Pricing Supplement.

2. **Listing:** Application has been made to the HKSE for the listing of the Programme under which Notes may be issued by way of debt issues to Professional Investors only during the 12-month period after the date of this document on the HKSE. Application may be made to the HKSE for permission to deal in, and for listing of, any Notes, issued by way of debt issues to Professional Investors only, which are agreed at the time of issue to be so listed on the HKSE. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the relevant Issuer and the relevant Dealer in relation to each Series. There can be no assurance that the application will be approved. Unlisted Notes may also be issued.

3. **NDRC Reporting:** Where the NDRC Administrative Measures applies to the Tranche of Notes to be issued, the Issuer undertakes to provide or cause to be provided a notification of the requisite information and documents in connection with such Tranche of Notes to the NDRC, and comply with any other applicable reporting requirement in connection with such Tranche of Notes, within the prescribed timeframes after the relevant Issue Date in accordance with the NDRC Administrative Measures.

4. **PBOC Reporting:** With respect to any applicable Tranche of the Notes, reporting will be completed by the Bank in accordance with the 2017 PBOC Circular.

5. **Litigation:** None of the Bank nor any of its subsidiaries is involved in any material litigation or arbitration proceedings relating to claims or amounts which are material in the context of the issue of the Notes, nor is the Bank or any of its subsidiaries aware that any such proceedings are pending or threatened.

6. **Authorisations:** The Bank has obtained all necessary consents, approvals and authorisations as may be required in connection with the establishment of the Programme and the issue of this Offering Circular. The establishment and the update of the Programme have been duly authorised by the Bank on 18 June 2014 and 12 January 2026. The Bank has obtained and has agreed to obtain from time to time all necessary consents, approvals and authorisations for the issue of Notes under the Programme.

7. **No Material Adverse Change:** There has been no significant change in the financial or trading position of the Bank or of the Group since 30 June 2025 and no material adverse change in the financial position or prospects of the Bank or of the Group since 30 June 2025.

8. **Available Documents:** For so long as Notes may be issued pursuant to this Offering Circular, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection upon prior written request and satisfactory proof of holding at the offices of the Bank and (with respect to 8(e), 8(f) and 8(h)) the Fiscal Agent:

   (a) the Memorandum and Articles of Association of the Bank;

   (b) the audited consolidated financial statements of the Bank as at and for the years ended 31 December 2023 and 2024 (in each case together with the audit reports in connection therewith);

   (c) the unaudited condensed consolidated interim financial statements of the Bank as at and for the six months ended 30 June 2025 (together with the review report in connection therewith);

   (d) copies of the most recent annual and interim reports (including the financial statements) published by the Bank;

   (e) the Agency Agreement (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons) and the Deed of Covenant;

   (f) a copy of this Offering Circular together with any Supplement to this Offering Circular or further Offering Circular;

   (g) a copy of the subscription agreement for Notes issued on a syndicated basis that are listed on any stock exchange, where the rules of such stock exchange so require;

   (h) each Pricing Supplement (save that a Pricing Supplement relating to a Note which is neither admitted to trading on a regulated market within the EEA nor offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Regulation will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Bank and the Fiscal Agent as to its holding of Notes and identity).

9. **Auditors:** The Audited Consolidated Financial Statements, which are included elsewhere in this Offering Circular, have been audited by KPMG, the Bank's independent auditor, as stated in their reports appearing therein. The 2025 Interim Financial Statements, which are included elsewhere in this Offering Circular, have been reviewed by KPMG, the Bank's independent auditor, as stated in their report appearing therein.

10. **Legal Entity Identifier:** The legal entity identifier of the Bank is 549300E7TSGLCOVSY746.

11. Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

12. The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Pricing Supplement of each Tranche, based on the prevailing market conditions. The Bank does not intend to provide any post-issuance information in relation to any issues of Notes.

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Notes:

The audited consolidated financial statements of the Bank set out herein are reproduced from the Bank's annual reports for the years ended 31 December 2023 and 2024. Pages and references included in the audited consolidated financial statements as of and for the years ended 31 December 2023 and 2024 set out herein refer to pages set out in the relevant annual report. The unaudited but reviewed condensed consolidated interim financial statements of the Bank set out herein are reproduced from the Bank's interim report for the six months ended 30 June 2025. Pages and references included in the unaudited but reviewed condensed consolidated interim financial statements as of and for the six months ended 30 June 2025 set out herein refer to pages set out in the relevant interim report.



To the Board of Directors of Agricultural Bank of China Limited

(Incorporated in the People's Republic of China with Limited Liability)

Introduction

We have reviewed the interim financial information set out on pages 100 to 226, which comprises the condensed consolidated interim statement of financial position of Agricultural Bank of China Limited (the "Bank") and its subsidiaries (collectively the "Group") as of 30 June 2025 and the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and IAS 34 *Interim Financial Reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 *Interim Financial Reporting*.

Our responsibility is to express a conclusion, based on our review, on the interim financial information and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the International Auditing and Assurance Standards Board. A review of the interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at 30 June 2025 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
29 August 2025

Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2025
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2025 (Unaudited)	2024 (Unaudited)
Interest income	6	**598,005**	644,048
Interest expense	6	**(315,532)**	(353,200)
Net interest income	6	**282,473**	290,848
Fee and commission income	7	**58,097**	53,683
Fee and commission expense	7	**(6,656)**	(6,947)
Net fee and commission income	7	**51,441**	46,736
Net trading gain	8	**7,558**	15,758
Net gain on financial investments	9	**5,869**	11,054
Net gain on derecognition of financial assets measured at amortized cost		**15,088**	4,300
Other operating income/(expense)	10	**7,364**	(1,556)
Operating income		**369,793**	367,140
Operating expenses	11	**(111,725)**	(108,679)
Credit impairment losses	12	**(97,955)**	(100,998)
Impairment losses on other assets		**(14)**	(33)
Operating profit		**160,099**	157,430
Share of results of associates and joint ventures		**441**	41
Profit before tax		**160,540**	157,471
Income tax expense	13	**(20,597)**	(20,977)
Profit for the period		**139,943**	136,494
Attributable to:			
Equity holders of the Bank		**139,510**	135,892
Non-controlling interests		**433**	602
		139,943	136,494
Earnings per share attributable to the ordinary equity holders of the Bank (expressed in RMB yuan per share)			
– Basic and diluted	15	**0.37**	0.37

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2025
(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2025 (Unaudited)	2024 (Unaudited)
Profit for the period	**139,943**	136,494
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income	**(7,211)**	26,529
Loss allowance on debt instruments at fair value through other comprehensive income	**5,570**	(6,069)
Income tax impact for fair value changes and loss allowance on debt instruments at fair value through other comprehensive income	**474**	(5,064)
Foreign currency translation differences	**114**	136
Others	**(2,184)**	(5,214)
Subtotal	**(3,237)**	10,318
Items that will not be reclassified subsequently to profit or loss:		
Fair value changes on other equity investments designated at fair value through other comprehensive income	**4,509**	269
Income tax impact for fair value changes on other equity investments designated at fair value through other comprehensive income	**(1,126)**	(61)
Others	**13**	28
Subtotal	**3,396**	236
Other comprehensive income, net of tax	**159**	10,554
Total comprehensive income for the period	**140,102**	147,048
Total comprehensive income attributable to:		
Equity holders of the Bank	**140,426**	147,982
Non-controlling interests	**(324)**	(934)
	140,102	147,048

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2025
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Assets			
Cash and balances with central banks	16	**3,362,831**	2,134,452
Deposits with banks and other financial institutions	17	**410,918**	571,956
Precious metals		**168,487**	115,253
Placements with and loans to banks and other financial institutions	18	**472,461**	529,767
Derivative financial assets	19	**42,680**	65,920
Financial assets held under resale agreements	20	**1,554,271**	1,371,571
Loans and advances to customers	21	**25,764,001**	23,977,013
Financial investments	22		
Financial assets at fair value through profit or loss		**521,158**	513,306
Debt instrument investments at amortized cost		**10,348,968**	9,905,633
Other debt instrument and other equity investments at fair value through other comprehensive income		**3,570,257**	3,430,164
Investment in associates and joint ventures	23	**15,597**	10,332
Property and equipment	24	**150,313**	154,484
Goodwill		**1,381**	1,381
Deferred tax assets	25	**143,504**	148,009
Other assets	26	**329,051**	308,894
Total assets		**46,855,878**	43,238,135
Liabilities			
Borrowings from central banks	27	**942,778**	847,324
Deposits from banks and other financial institutions	28	**5,670,071**	4,667,561
Placements from banks and other financial institutions	29	**366,475**	364,022
Financial liabilities at fair value through profit or loss	30	**25,036**	15,841
Derivative financial liabilities	19	**52,939**	58,146
Financial assets sold under repurchase agreements	31	**1,066,458**	615,725
Due to customers	32	**31,900,486**	30,305,357
Dividends payable	14	**43,923**	40,738
Debt securities issued	33	**3,105,787**	2,678,509
Deferred tax liabilities	25	**632**	309
Other liabilities	34	**532,052**	547,330
Total liabilities		**43,706,637**	40,140,862

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2025
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Equity			
Ordinary shares	35	**349,983**	349,983
Other equity instruments	36	**465,000**	500,000
Preference shares		**80,000**	80,000
Perpetual bonds		**385,000**	420,000
Capital reserve	37	**173,415**	173,419
Other comprehensive income	38	**82,730**	81,816
Surplus reserve	39	**302,271**	301,841
General reserve	40	**570,192**	532,991
Retained earnings		**1,199,509**	1,150,758
Equity attributable to equity holders of the Bank		**3,143,100**	3,090,808
Non-controlling interests		**6,141**	6,465
Total equity		**3,149,241**	3,097,273
Total equity and liabilities		**46,855,878**	43,238,135

Approved and authorized for issue by the Board of Directors on 29 August 2025.

Gu Shu
Chairman

Wang Zhiheng
Vice Chairman

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2025
(Amounts in millions of Renminbi, unless otherwise stated)

		Total equity attributable to equity holders of the Bank									
	Notes	Ordinary shares	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Subtotal	Non-controlling interests	Total
As at 31 December 2024 (Audited)		**349,983**	**500,000**	**173,419**	**81,816**	**301,841**	**532,991**	**1,150,758**	**3,090,808**	**6,465**	**3,097,273**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**139,510**	**139,510**	**433**	**139,943**
Other comprehensive income		**–**	**–**	**–**	**916**	**–**	**–**	**–**	**916**	**(757)**	**159**
Total comprehensive income for the period		**–**	**–**	**–**	**916**	**–**	**–**	**139,510**	**140,426**	**(324)**	**140,102**
Capital contribution and reduction from equity holders	36	**–**	**(35,000)**	**(4)**	**–**	**–**	**–**	**–**	**(35,004)**	**–**	**(35,004)**
Appropriation to surplus reserve	39	**–**	**–**	**–**	**–**	**430**	**–**	**(430)**	**–**	**–**	**–**
Appropriation to general reserve	40	**–**	**–**	**–**	**–**	**–**	**37,201**	**(37,201)**	**–**	**–**	**–**
Dividends paid to ordinary equity holders	14	**–**	**–**	**–**	**–**	**–**	**–**	**(43,923)**	**(43,923)**	**–**	**(43,923)**
Dividends paid to other equity instruments holders	14	**–**	**–**	**–**	**–**	**–**	**–**	**(9,207)**	**(9,207)**	**–**	**(9,207)**
Other comprehensive income transferred to retained earnings		**–**	**–**	**–**	**(2)**	**–**	**–**	**2**	**–**	**–**	**–**
As at 30 June 2025 (Unaudited)		**349,983**	**465,000**	**173,415**	**82,730**	**302,271**	**570,192**	**1,199,509**	**3,143,100**	**6,141**	**3,149,241**
As at 31 December 2023 (Audited)		349,983	480,000	173,425	41,506	273,558	456,200	1,114,576	2,889,248	7,619	2,896,867
Profit for the period		–	–	–	–	–	–	135,892	135,892	602	136,494
Other comprehensive income		–	–	–	12,090	–	–	–	12,090	(1,536)	10,554
Total comprehensive income for the period		–	–	–	12,090	–	–	135,892	147,982	(934)	147,048
Capital contribution and reduction from equity holders	36	–	100,000	(2)	–	–	–	–	99,998	–	99,998
Appropriation to surplus reserve	39	–	–	–	–	389	–	(389)	–	–	–
Appropriation to general reserve	40	–	–	–	–	–	76,258	(76,258)	–	–	–
Dividends paid to ordinary equity holders	14	–	–	–	–	–	–	(80,811)	(80,811)	–	(80,811)
Dividends paid to other equity instruments holders	14	–	–	–	–	–	–	(6,639)	(6,639)	–	(6,639)
Other comprehensive income transferred to retained earnings		–	–	–	(23)	–	–	23	–	–	–
As at 30 June 2024 (Unaudited)		349,983	580,000	173,423	53,573	273,947	532,458	1,086,394	3,049,778	6,685	3,056,463
Profit for the period		–	–	–	–	–	–	146,191	146,191	(14)	146,177
Other comprehensive income		–	–	–	28,225	–	–	–	28,225	(66)	28,159
Total comprehensive income for the period		–	–	–	28,225	–	–	146,191	174,416	(80)	174,336
Capital contribution and reduction from equity holders	36	–	(80,000)	(4)	–	–	–	–	(80,004)	(6)	(80,010)
Appropriation to surplus reserve	39	–	–	–	–	27,894	–	(27,894)	–	–	–
Appropriation to general reserve	40	–	–	–	–	–	533	(533)	–	–	–
Dividends paid to ordinary equity holders	14	–	–	–	–	–	–	(40,738)	(40,738)	–	(40,738)
Dividends paid to other equity instruments holders	14	–	–	–	–	–	–	(12,644)	(12,644)	–	(12,644)
Dividends paid to other equity instruments holders of subsidiaries		–	–	–	–	–	–	–	–	(69)	(69)
Dividends paid to non-controlling equity holders		–	–	–	–	–	–	–	–	(65)	(65)
Other comprehensive income transferred to retained earnings		–	–	–	18	–	–	(18)	–	–	–
As at 31 December 2024 (Audited)		349,983	500,000	173,419	81,816	301,841	532,991	1,150,758	3,090,808	6,465	3,097,273

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2025
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2025 (Unaudited)	2024 (Unaudited)
Cash flows from operating activities			
Profit before tax		**160,540**	157,471
Adjustments for:			
Amortization of intangible assets and other assets		**2,124**	1,871
Depreciation of property, equipment and right-of-use assets, and others		**9,744**	9,668
Credit impairment losses		**97,955**	100,998
Impairment losses on other assets		**14**	33
Interest income arising from investment securities		**(182,115)**	(176,700)
Interest expense on debt securities issued		**36,058**	35,107
Revaluation gain on financial instruments at fair value through profit or loss		**(4,992)**	(5,288)
Net gain on investment securities		**(17,205)**	(2,753)
Share of results of associates and joint ventures		**(441)**	(41)
Net gain on disposal and stocktake of property, equipment and other assets		**(406)**	(436)
Net foreign exchange gain		**(3,033)**	(5,405)
		98,243	114,525
Net changes in operating assets and operating liabilities:			
Net (increase)/decrease in balances with central banks, deposits with banks and other financial institutions		**(227,768)**	506,925
Net (increase)/decrease in placements with and loans to banks and other financial institutions		**(20,945)**	20,575
Net increase in financial assets held under resale agreements		**(10,983)**	(1,431)
Net increase in loans and advances to customers		**(1,831,300)**	(1,769,286)
Net increase/(decrease) in borrowings from central banks		**97,478**	(21,808)
Net increase in placements from banks and other financial institutions		**3,352**	16,854
Net increase in due to customers and deposits from banks and other financial institutions		**2,632,234**	1,571,988
Net increase in financial assets sold under repurchase agreements		**448,485**	13,628
Increase in other operating assets		**(118,880)**	(226,825)
(Decrease)/increase in other operating liabilities		**(30,838)**	118,684
Cash from operations		**1,039,078**	343,829
Income tax paid		**(33,274)**	(52,449)
Net cash from operating activities		**1,005,804**	291,380

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2025
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2025 (Unaudited)	2024 (Unaudited)
Cash flows from investing activities			
Cash received from disposal of investment securities		**2,020,659**	1,870,496
Cash received from investment income		**196,495**	173,095
Cash received from disposal of investment in associates and joint ventures		**45**	–
Cash received from disposal of property, equipment and other assets		**2,151**	1,281
Cash paid for purchase of investment securities		**(2,589,702)**	(3,522,355)
Increase in investment in associates and joint ventures		**(4,900)**	–
Cash paid for purchase of property, equipment and other assets		**(8,330)**	(6,812)
Net cash used in investing activities		**(383,582)**	(1,484,295)
Cash flows from financing activities			
Contribution from issues of other equity instruments		**50,000**	100,000
Cash payment for redemption of other equity instruments		**(85,000)**	–
Cash payments for transaction cost of other equity instruments issued and redempted		**(4)**	(1)
Cash received from debt securities issued		**2,249,575**	2,013,500
Cash payments for transaction cost of debt securities issued		**(7)**	(17)
Repayments of debt securities issued		**(1,800,851)**	(1,707,404)
Cash payments for interest on debt securities issued		**(57,504)**	(57,375)
Cash payments for principal portion and interest portion of lease liability		**(2,366)**	(2,293)
Dividends paid		**(49,945)**	(87,450)
Net cash from financing activities		**303,898**	258,960
Net increase/(decrease) in cash and cash equivalents		**926,120**	(933,955)
Cash and cash equivalents as at 1 January		**1,846,612**	2,512,725
Effect of exchange rate changes on cash and cash equivalents		**7,576**	(445)
Cash and cash equivalents as at 30 June	41	**2,780,308**	1,578,325
Net cash flows from operating activities include:			
Interest received		**370,548**	422,238
Interest paid		**(314,367)**	(316,105)

The accompanying notes form an integral part of this interim financial information.

1 GENERAL INFORMATION

Agricultural Bank of China Limited (the "Bank") is the successor entity to the Agricultural Bank of China (the "Predecessor Entity") which was a wholly state-owned commercial bank approved for setup by the People's Bank of China (the "PBOC") and founded on 23 February 1979 in the People's Republic of China (the "PRC"). On 15 January 2009, the Bank was established after the completion of the financial restructuring of the Predecessor Entity. The Bank's establishment was authorized by the PBOC. The Bank was listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited on 15 July 2010 and 16 July 2010, respectively.

The Bank operates under financial services certificate No. B0002H111000001 issued by the National Financial Regulatory Administration (the former "China Banking and Insurance Regulatory Commission",the "NFRA"), and business license No. 911100001000054748 issued by Beijing Administration of Industry and Commerce. The registered office of the Bank is located at No. 69 Jianguomen Nei Avenue, Dongcheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively, the "Group") include Renminbi ("RMB") and foreign currency deposits, loans, clearing and settlement services, assets custodian services, fund management, financial leasing services, insurance services and other services as approved by relevant regulators, and the provision of related services by its overseas establishments as approved by the respective local regulators.

The head office and domestic branches of the Bank and its subsidiaries operating in Chinese mainland are referred to as the "Domestic Operations". Branches and subsidiaries registered and operating outside Chinese mainland are referred to as the "Overseas Operations".

2 BASIS OF PREPARATION

The unaudited interim financial information for the six months ended 30 June 2025 has been prepared in accordance with IAS 34 Interim Financial Reporting, as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3 MATERIAL ACCOUNTING POLICIES

The unaudited interim financial information has been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the material accounting policies and methods of computation used in preparing the interim financial information are the same as those followed in the preparation of the Group's annual financial information for the year ended 31 December 2024.

The interim financial information should be read in conjunction with the Group's annual financial information for the year ended 31 December 2024.

3.1 Amendments effective in 2025 relevant to and adopted by the Group

In the current reporting period, the Group has adopted the following amendments to IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB"), that are mandatorily effective for the current reporting period.

			Effective for annual periods beginning on or after	Notes
(1)	Amendments to IAS 21	Lack of Exchangeability	1 January 2025	(i)

(i) Description of the amendments was disclosed in the Group's annual financial information for the year ended 31 December 2024. The adoption of the amendments does not have a significant impact on the financial information of the Group.

3 MATERIAL ACCOUNTING POLICIES (Continued)

3.2 Standards and amendments relevant to the Group that are not yet effective in the current reporting period and have not been adopted before their effective dates by the Group

The Group has not adopted the following standards and amendments that have been issued by the IASB but are not yet effective.

		Effective for annual periods beginning on or after	Notes
(1) Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	1 January 2026	(i)
(2) Annual Improvements to IFRS Accounting Standards	Volume 11	1 January 2026	(i)
(3) Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity	1 January 2026	(i)
(4) IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027	(i)
(5) IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027	(i)
(6) Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The effective date has been deferred indefinitely	(i)

(i) Descriptions of these standards and amendments were disclosed in the Group's annual financial information for the year ended 31 December 2024. The Group anticipates that the adoption of these standards and amendments will not have a significant impact on the Group's financial information.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expense. Actual results may differ from these estimates.

In preparing this interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial information for the year ended 31 December 2024.

5 INVESTMENT IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND STRUCTURED ENTITIES

(1) Investment in subsidiaries

The followings are the principal subsidiaries of the Bank as at 30 June 2025:

Name of entity	Notes	Date of incorporation/ establishment	Place of incorporation/ establishment	Authorized capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
China Agricultural Finance Co., Ltd.		1 November 1988	Hong Kong, PRC	HKD588,790,000	100.00	100.00	Investment holding
ABC International Holdings Limited	(i)	11 November 2009	Hong Kong, PRC	HKD4,759,853,614	100.00	100.00	Investment holding
ABC Financial Leasing Co., Ltd.		29 September 2010	Shanghai, PRC	RMB9,500,000,000	100.00	100.00	Financial leasing
Agricultural Bank of China (UK) Limited	(ii)	29 November 2011	London, United Kingdom	USD100,000,002	100.00	100.00	Banking
ABC-CA Fund Management Co., Ltd.		18 March 2008	Shanghai, PRC	RMB1,750,000,001	51.67	51.67	Fund management
ABC Hexigten Rural Bank Limited Liability Company		12 August 2008	Inner Mongolia, PRC	RMB19,600,000	51.02	51.02	Banking
ABC Hubei Hanchuan Rural Bank Limited Liability Company	(iii)	12 August 2008	Hubei, PRC	RMB31,000,000	50.00	66.67	Banking
ABC Jixi Rural Bank Limited Liability Company		25 May 2010	Anhui, PRC	RMB29,400,000	56.02	56.02	Banking
ABC Ansai Rural Bank Limited Liability Company		30 March 2010	Shaanxi, PRC	RMB40,000,000	51.00	51.00	Banking
ABC Zhejiang Yongkang Rural Bank Limited Liability Company		20 April 2012	Zhejiang, PRC	RMB210,000,000	51.00	51.00	Banking
ABC Xiamen Tong'an Rural Bank Limited Liability Company		24 May 2012	Fujian, PRC	RMB150,000,000	51.00	51.00	Banking
ABC Life Insurance Co., Ltd.	(iv)	19 December 2005	Beijing, PRC	RMB2,949,916,475	51.00	51.00	Life insurance
Agricultural Bank of China (Luxembourg) Limited		26 November 2014	Luxembourg, Luxembourg	EUR20,000,000	100.00	100.00	Banking
Agricultural Bank of China (Moscow) Limited		23 December 2014	Moscow, Russia	RUB7,556,038,271	100.00	100.00	Banking
ABC Financial Asset Investment Co., Ltd.		1 August 2017	Beijing, PRC	RMB20,000,000,000	100.00	100.00	Debt-to-equity swap and related supporting services
Agricultural Bank of China Wealth Management Co., Ltd.		25 July 2019	Beijing, PRC	RMB12,000,000,000	100.00	100.00	Wealth management

For the six months ended 30 June 2025, there were no changes in the proportion of equity interest or voting rights the Bank held in its subsidiaries.

(i) For the six months ended 30 June 2025, the Bank has invested HKD646 million in capital increase for ABC International Holdings Limited.

5 INVESTMENT IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND STRUCTURED ENTITIES (Continued)

(1) Investment in subsidiaries (Continued)

(ii) Agricultural Bank of China (UK) Limited has been undertaking the dissolution procedures.

(iii) Two of the three directors on the board of ABC Hubei Hanchuan Rural Bank Limited Liability Company were appointed by the Bank. The Bank concluded that it has effective control over and has included this entity in its consolidation scope.

(iv) On 31 December 2012, the Bank acquired 51% of the issued share capital of Jiahe Life Insurance Co., Ltd. and renamed it as ABC Life Insurance Co., Ltd. ("ABC Life Insurance"). As at 31 December 2012, the Group recognized goodwill of RMB1,381 million as a result of this acquisition. During the year ended 31 December 2016, the Bank and other investors contributed additional capital totalling RMB3,761 million to ABC Life Insurance, comprising registered capital of RMB917 million and capital reserve of RMB2,844 million. After the capital injection, the proportion of equity interest and voting rights the Bank held in ABC Life Insurance remained at 51%.

As at 30 June 2025, there was no objective evidence noted for any goodwill impairment.

(2) Investment in associates

Name of entity	Notes	Date of establishment	Place of incorporation/ business	Authorized capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
Sino-Congolese Bank of Africa	(i)	2015	Brazzaville, Congo	XAF53,342,800,000	50.00	50.00	Bank
Shenzhen Yuanzhifuhai No.6 Investment Enterprise (Limited Partnership)	(ii)	2015	Guangdong, PRC	RMB313,000,000	31.95	14.29	Equity investment, investment management and investment advisory service
Beijing Guofa Aero Engine Industry Investment Fund Center (Limited Partnership)	(ii)	2018	Beijing, PRC	RMB6,343,200,000	15.61	11.11	Non-securities equity investment activities and related advisory services
Xinyuan (Beijing) Debt-to-Equity Special Equity Investment Center (Limited Partnership)	(ii)	2020	Beijing, PRC	RMB11,524,196,644.54	30.58	14.29	Equity investment
National Green Development Fund Co.,Ltd.	(iii)	2020	Shanghai, PRC	RMB88,500,000,000	9.04	9.04	Equity investment, project investment and investment management
National Social Endowment Insurance Co.,Ltd.	(iv)	2022	Beijing, PRC	RMB11,150,000,000	8.79	8.79	Insurance
BNP Paribas ABC Wealth Management Co.,Ltd.	(iv)	2023	Shanghai, PRC	RMB1,000,000,000	49.00	49.00	Wealth management
China Integrated Circuit Industry Investment Fund Phase III Co., Ltd.	(v)	2024	Beijing, PRC	RMB344,000,000,000	6.25	6.25	Equity investment, investment management and asset management

5 INVESTMENT IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND STRUCTURED ENTITIES (Continued)

(2) Investment in associates (Continued)

(i) On 28 May 2015, the Sino-Congolese Bank of Africa (La Banque Sino-Congolaise pour l'Afrique, hereinafter referred to as BSCA. Bank), established by the Bank and other investors with authorized capital denominated in Central African CFA franc ("XAF"), was granted the required banking license by the local regulatory authority. The Bank holds 50% equity interest and voting rights in BSCA. Bank, and has the right to participate in the financial and operational decisions of BSCA. Bank, but does not constitute control or joint control over those decisions.

(ii) The Bank's wholly-owned subsidiary, ABC Financial Asset Investment Co., Ltd. and other investors invested in the above-mentioned enterprises. The Group has the right to participate in the financial and operational decisions of these enterprises, but does not constitute control or joint control over those decisions.

(iii) The Bank was approved to participate in the investment in National Green Development Fund Co., Ltd. in 2021. The Bank holds 9.04% equity interest and has the right to participate in the financial and operational decisions, but does not constitute control or joint control over those decisions.

(iv) The Bank's wholly-owned subsidiary, Agricultural Bank of China Wealth Management Co., Ltd. and other investors invested in the above-mentioned enterprises. The Group has the right to participate in the financial and operational decisions of these enterprises, but does not constitute control or joint control over those decisions.

(v) The Bank was approved to participate in the investment in China Integrated Circuit Industry Investment Fund Phase III Co., Ltd. in 2024. The Bank holds 6.25% equity interest and has the right to participate in the financial and operational decisions, but does not constitute control or joint control over those decisions.

(vi) The interests of the Group in the above-mentioned associates do not have a significant impact on the Group.

(3) Investment in joint ventures

Name of entity	Date of establishment	Place of incorporation/ business	Authorized capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
Jiangsu Jiequansuihe State-owned Enterprise Mixed Ownership Reform Fund (Limited Partnership)	2018	Jiangsu, PRC	RMB1,000,000,000	69.00	28.57	Equity investment, debt-to-equity swap and related supporting services
Nongjin Gaotou (Hubei) Debt-to-Equity Investment Fund (Limited Partnership)	2018	Hubei, PRC	RMB500,000,000	74.00	33.33	Non-securities equity investment activities and related advisory services
Jiaxing Suihe New Silk Road Investment Fund (Limited Partnership)	2018	Zhejiang, PRC	RMB1,500,000,000	66.67	50.00	Industrial investment and equity investment
Inner Mongolia Mengxingzhuli Development Fund Investment Center (Limited Partnership)	2018	Inner Mongolia, PRC	RMB2,000,000,000	50.00	50.00	Equity investment, investment management and investment advisory service
Jianyuan Infrastructure Equity Investment (Tianjin) Fund (Limited Partnership)	2019	Tianjin, PRC	RMB3,500,000,000	20.00	20.00	Equity investment and investment management
Shaanxi Suihe Equity Investment Fund Partnership (Limited Partnership)	2019	Shaanxi, PRC	RMB1,000,000,000	50.00	50.00	Equity investment

5 INVESTMENT IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND STRUCTURED ENTITIES (Continued)

(3) Investment in joint ventures (Continued)

The wholly-owned subsidiary of the Bank, ABC Financial Asset Investment Co., Ltd. and other investors established the above-mentioned entities. According to the agreements, matters considered at the Meeting of Partners or investment decision-making committee shall be approved by the unanimous consent of all the partners or all the committee members. The Group constitutes joint control over the financial and operational decisions of these enterprises with the other investors.

The interests of the Group in the above-mentioned joint ventures do not have a significant impact on the Group.

(4) Structured entities

The consolidated structured entities of the Group have been disclosed in Note 44 Structured entities.

6 NET INTEREST INCOME

	Six months ended 30 June	
	2025	2024
Interest income		
Loans and advances to customers	**378,600**	413,628
Including: Corporate loans and advances	**232,342**	250,574
Personal loans	**146,258**	163,054
Financial investments		
Debt instrument investments at amortized cost	**143,428**	136,216
Other debt instrument investments at fair value through other comprehensive income	**38,687**	40,484
Balances with central banks	**19,708**	19,785
Placements with and loans to banks and other financial institutions	**7,672**	9,899
Financial assets held under resale agreements	**6,142**	12,443
Deposits with banks and other financial institutions	**3,768**	11,593
Subtotal	**598,005**	644,048
Interest expense		
Due to customers	**(213,656)**	(244,427)
Deposits from banks and other financial institutions	**(42,502)**	(47,922)
Debt securities issued	**(36,058)**	(35,107)
Borrowings from central banks	**(8,181)**	(13,459)
Financial assets sold under repurchase agreements	**(7,640)**	(3,163)
Placements from banks and other financial institutions	**(7,495)**	(9,122)
Subtotal	**(315,532)**	(353,200)
Net interest income	**282,473**	290,848

7 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2025	2024
Fee and commission income		
Agency services	**15,807**	9,738
Electronic banking services	**12,951**	14,822
Consultancy and advisory services	**10,998**	11,230
Bank cards	**8,268**	8,398
Settlement and clearing services	**6,729**	6,288
Custodian and other fiduciary services	**2,471**	2,237
Credit commitment	**683**	754
Others	**190**	216
Subtotal	**58,097**	53,683
Fee and commission expense		
Bank cards	**(4,061)**	(4,433)
Electronic banking services	**(1,522)**	(1,510)
Settlement and clearing services	**(728)**	(709)
Others	**(345)**	(295)
Subtotal	**(6,656)**	(6,947)
Net fee and commission income	**51,441**	46,736

8 NET TRADING GAIN

		Six months ended 30 June	
	Note	**2025**	2024
Net gain on debt instruments held for trading		**3,510**	2,061
Net gain on precious metals	(1)	**2,923**	2,171
Net gain on foreign exchange rate derivatives		**811**	10,687
Net gain on interest rate derivatives		**229**	519
Others		**85**	320
Total		**7,558**	15,758

(1) Net gain on precious metals consists of net gain on precious metals and precious metal related derivative products.

9 NET GAIN ON FINANCIAL INVESTMENTS

	Note	Six months ended 30 June	
		2025	2024
Net gain on debt instruments designated as at FVPL		**21**	23
Net gain on other debt instruments and equity investments measured at FVPL		**4,050**	9,079
Net loss on financial liabilities designated as at FVPL	(1)	**(246)**	(161)
Net gain on other debt instrument and other equity investments measured at FVOCI		**2,117**	2,754
Others		**(73)**	(641)
Total		**5,869**	11,054

(1) Net loss on financial liabilities designated as at FVPL consists of the payable amount upon the maturity of structured deposits designated at FVPL.

10 OTHER OPERATING INCOME/(EXPENSE)

	Six months ended 30 June	
	2025	2024
Insurance premium	**3,073**	2,059
Rental income	**834**	718
Gain on disposal of property and equipment	**392**	467
Government grant	**509**	678
Net gain/(loss) on foreign exchange	**1,495**	(6,112)
Others	**1,061**	634
Total	**7,364**	(1,556)

11 OPERATING EXPENSES

	Notes	Six months ended 30 June	
		2025	2024
Staff costs	(1)	**67,533**	65,691
General operating and administrative expenses		**23,942**	23,800
Depreciation and amortization		**11,399**	11,152
Tax and surcharges	(2)	**3,859**	3,843
Insurance benefits and claims		**3,590**	2,939
Others		**1,402**	1,254
Total		**111,725**	108,679

For the six months ended 30 June 2025, the Group's research and development expenses amounted to RMB2,632 million (six months ended 30 June 2024: RMB2,249 million).

11 OPERATING EXPENSES (Continued)

(1) Staff costs

	Six months ended 30 June	
	2025	2024
Short-term employee benefits		
Salaries, bonuses, allowances and subsidies	**42,556**	42,541
Housing funds	**5,614**	5,200
Social insurance	**3,470**	3,286
Including: Medical insurance	**3,282**	3,103
Maternity insurance	**88**	93
Employment injury insurance	**100**	90
Labor union fees and staff education expenses	**1,492**	1,484
Others	**3,773**	3,250
Subtotal	**56,905**	55,761
Defined contribution benefits	**10,629**	9,940
Early retirement benefits	**(1)**	(10)
Total	**67,533**	65,691

(2) City maintenance and construction tax is calculated at 1%, 5% or 7% of VAT and consumption tax for the Group's Domestic Operations.

Education surcharge is calculated at 3%, while local education surcharge is calculated at 2% of VAT and consumption tax for the Group's Domestic Operations.

12 CREDIT IMPAIRMENT LOSSES

	Six months ended 30 June	
	2025	2024
Loans and advances to customers	**97,417**	98,632
Financial investments		
Debt instrument investments at amortized cost	**5,320**	13,450
Other debt instrument investments at fair value through other comprehensive income	**13**	1,020
Provision for guarantees and commitments	**(2,233)**	(8,771)
Placements with and loans to banks and other financial institutions	**30**	(1,243)
Deposits with banks and other financial institutions	**(147)**	(120)
Financial assets held under resale agreements	**214**	(2,577)
Others	**(2,659)**	607
Total	**97,955**	100,998

13 INCOME TAX EXPENSE

	Six months ended 30 June	
	2025	2024
Current income tax		
— PRC Enterprise Income Tax	**14,989**	19,166
— Hong Kong SAR Income Tax	**457**	366
— Other jurisdictions Income Tax	**247**	143
Subtotal	**15,693**	19,675
Deferred tax (Note 25)	**4,904**	1,302
Total	**20,597**	20,977

Domestic and Overseas Branches Income Tax is calculated at 25% of the estimated taxable profit for the current and prior periods, and also includes supplementary PRC tax on Overseas Branches as determined in accordance with the relevant PRC income tax rules and regulations. Pre-tax deduction items of enterprise income tax are governed by the relevant tax regulations in Chinese mainland. Taxation arising in other jurisdictions (including Hong Kong SAR) is calculated at the rates prevailing in the relevant jurisdictions.

As at 30 June 2025, Pillar Two legislation has come into effect in countries where some of the Group's subsidiaries are located. The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and accounted for the tax as current tax when incurred. For the six months ended 30 June 2025, the impact of the top-up tax on the Group's current income tax expense is not material.

The tax charges for the six months ended 30 June 2025 and 30 June 2024 can be reconciled to the profit per the condensed consolidated interim income statement as follows:

		Six months ended 30 June	
	Note	**2025**	2024
Profit before tax		**160,540**	157,471
Tax calculated at applicable PRC statutory tax rate of 25%		**40,135**	39,368
Tax effect of income not taxable for tax purpose	(1)	**(33,214)**	(28,967)
Tax effect of costs, expenses, losses and others not deductible for tax purpose		**15,506**	11,745
Tax effect of perpetual bonds interest expense		**(1,818)**	(1,176)
Effect of different tax rates in other jurisdictions		**(12)**	7
Income tax expense		**20,597**	20,977

(1) Non-taxable income primarily includes interest income from PRC treasury bonds and municipal government bonds.

14 DIVIDENDS

	Notes	Six months ended 30 June 2025	Six months ended 30 June 2024
Dividends on ordinary shares declared and unpaid			
Final cash dividend related to 2024	(2)	**43,923**	–
Dividends on ordinary shares declared and paid			
Cash dividend related to 2023	(3)	**–**	80,811
		43,923	80,811
Dividends on preference shares declared and paid	(4)	**1,936**	1,936
Interest on perpetual bonds declared and paid	(5)	**7,271**	4,703

(1) Distribution of dividend on ordinary shares for 2025

On 29 August 2025,the Board of Directors of the Bank proposed distribution of interim cash dividends for 2025 of RMB1.195 (tax inclusive) for each ten shares for holders of ordinary shares with a total amount of RMB41,823 million (tax inclusive). The distribution plan will be submitted for consideration and approval at the shareholders' general meeting. The profit distribution plan will be included in the financial statements of the Bank and the Group after approval by the Bank's general meeting of shareholders.

(2) Distribution of dividend on ordinary shares for 2024

A cash dividend of RMB0.1164 (tax inclusive) per ordinary share related to mid 2024, amounting to RMB40,738 million (tax inclusive) in total was approved at the 2024 third extraordinary general meeting held on 29 November 2024.

The above dividend was recognized as distribution during the year ended 31 December 2024. The above dividend was distributed during the period ended 30 June 2025.

A final cash dividend of RMB0.1255 (tax inclusive) per ordinary share related to 2024, amounting to RMB43,923 million (tax inclusive) in total was approved at the 2024 general meeting held on 27 June 2025. Together with the interim cash dividend, the full-year cash dividend for 2024 was RMB0.2419 per ordinary share (tax inclusive), amounting to RMB84,661 million (tax inclusive) in total.

The above dividend was recognized as distribution during the period ended 30 June 2025.

(3) Distribution of dividend on ordinary shares for 2023

A cash dividend of RMB0.2309 (tax inclusive) per ordinary share related to 2023, amounting to RMB80,811 million (tax inclusive) in total was approved at the annual general meeting held on 21 May 2024.

The above dividend was recognized as distribution and distributed during the year ended 31 December 2024.

14 DIVIDENDS (Continued)

(4) Distribution of dividend on preference shares

Distribution of dividend on preference shares for 2025

A cash dividend at the dividend rate of 4.84% per annum related to the second tranche of preference shares of 2024 to 2025 amounting to RMB1,936 million (tax inclusive) in total was approved at the Board of Directors' Meeting held on 14 February 2025 and distributed on 11 March 2025.

Distribution of dividend on preference shares for 2024

A cash dividend at the dividend rate of 4.84% per annum related to the second tranche of preference shares of 2023 to 2024 amounting to RMB1,936 million (tax inclusive) in total was approved at the Board of Directors' Meeting held on 31 January 2024 and distributed on 11 March 2024.

A cash dividend at the dividend rate of 5.32% per annum related to the first tranche of preference shares of 2023 to 2024 amounting to RMB2,128 million (tax inclusive) in total was approved at the Board of Directors' Meeting held on 30 August 2024 and distributed on 5 November 2024.

(5) Distribution of interest on perpetual bonds

Distribution of interest on perpetual bonds for 2025

An interest at the interest rate of 3.49% per annum related to 2022 undated additional tier 1 capital bonds (first tranche) of RMB50 billion amounting to RMB1,745 million in total was declared on 20 February 2025 and distributed on 22 February 2025.

An interest at the interest rate of 2.73% per annum related to 2024 undated additional tier 1 capital bonds (first tranche) of RMB40 billion amounting to RMB1,092 million in total was declared on 4 March 2025 and distributed on 15 March 2025.

An interest at the interest rate of 3.48% per annum related to 2020 undated additional tier 1 capital bonds (first tranche) of RMB85 billion amounting to RMB2,958 million in total was declared on 2 April 2025 and distributed on 12 May 2025.

An interest at the interest rate of 2.46% per annum related to 2024 undated additional tier 1 capital bonds (second tranche) of RMB60 billion amounting to RMB1,476 million in total was declared on 20 May 2025 and distributed on 5 June 2025.

14 DIVIDENDS (Continued)

(5) Distribution of interest on perpetual bonds (Continued)

Distribution of interest on perpetual bonds for 2024

An interest at the interest rate of 3.49% per annum related to 2022 undated additional tier 1 capital bonds (first tranche) of RMB50 billion amounting to RMB1,745 million in total was declared on 20 February 2024 and distributed on 22 February 2024.

An interest at the interest rate of 3.48% per annum related to 2020 undated additional tier 1 capital bonds (first tranche) of RMB85 billion amounting to RMB2,958 million in total was declared on 10 May 2024 and distributed on 13 May 2024.

An interest at the interest rate of 4.39% per annum related to 2019 undated additional tier 1 capital bonds (first tranche) of RMB85 billion amounting to RMB3,732 million in total was declared on 8 August 2024 and distributed on 20 August 2024.

An interest at the interest rate of 4.50% per annum related to 2020 undated additional tier 1 capital bonds (second tranche) of RMB35 billion amounting to RMB1,575 million in total was declared on 14 August 2024 and distributed on 26 August 2024.

An interest at the interest rate of 3.21% per annum related to 2023 undated additional tier 1 capital bonds (first tranche) of RMB40 billion amounting to RMB1,284 million in total was declared on 14 August 2024 and distributed on 28 August 2024.

An interest at the interest rate of 3.17% per annum related to 2022 undated additional tier 1 capital bonds (second tranche) of RMB30 billion amounting to RMB951 million in total was declared on 20 August 2024 and distributed on 5 September 2024.

An interest at the interest rate of 4.20% per annum related to 2019 undated additional tier 1 capital bonds (second tranche) of RMB35 billion amounting to RMB1,470 million in total was declared on 27 August 2024 and distributed on 5 September 2024.

An interest at the interest rate of 3.76% per annum related to 2021 undated additional tier 1 capital bonds (first tranche) of RMB40 billion amounting to RMB1,504 million in total was declared on 14 November 2024 and distributed on 16 November 2024.

15 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is as follows:

	Six months ended 30 June	
	2025	2024
Earnings:		
Profit for the period attributable to equity holders of the Bank	**139,510**	135,892
Less: profit for the period attributable to other equity instruments holders of the Bank	**(9,207)**	(6,639)
Profit for the period attributable to ordinary equity holders of the Bank	**130,303**	129,253
Number of shares:		
Weighted average number of ordinary shares in issue (in millions)	**349,983**	349,983
Basic and diluted earnings per share (RMB yuan)	**0.37**	0.37

For the years ended 31 December 2015 and 31 December 2014, the Bank issued two non-cumulative preference shares, respectively, and the specific terms are included in Note 36 Other equity instruments.

As at 30 June 2025, the specific terms of the Bank's outstanding non-cumulative undated additional tier 1 capital bonds are included in Note 36 Other equity instruments.

For the purpose of calculating basic earnings per share for the six months ended 30 June 2025, cash dividends and interest of RMB9,207 million of preference shares and non-cumulative undated additional tier 1 capital bonds declared and distributed were deducted from the profit for the period attributable to ordinary equity holders of the Bank (six months ended 30 June 2024: cash dividends and interest of RMB6,639 million of preference shares and non-cumulative undated additional tier 1 capital bonds).

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the six months ended 30 June 2025 and 30 June 2024, and therefore the conversion feature of preference shares has no dilutive effect on earnings per share calculation.

16 CASH AND BALANCES WITH CENTRAL BANKS

	Notes	30 June 2025	31 December 2024
Cash		**62,014**	67,208
Mandatory reserve deposits with central banks	(1)	**2,248,366**	1,887,408
Surplus reserve deposits with central banks	(2)	**874,967**	46,885
Other deposits with central banks	(3)	**176,421**	131,855
Subtotal		**3,361,768**	2,133,356
Accrued interest		**1,063**	1,096
Total		**3,362,831**	2,134,452

(1) The Group places mandatory reserve deposits with the PBOC and overseas regulatory bodies. These include RMB reserve deposits and foreign currency reserve deposits that are not available for use in the Group's daily operations.

As at 30 June 2025, the mandatory deposit reserve ratios of the domestic branches of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC. The mandatory reserve funds placed with the central bank of domestic subsidiaries of the Group are determined by the PBOC. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Chinese mainland are determined by local jurisdictions.

(2) Surplus reserve deposits with central banks include funds for the purpose of cash settlement and other kinds of unrestricted deposits.

(3) Other deposits with central banks primarily represent fiscal deposits and foreign exchange risk reserve placed with the PBOC that are not available for use in the Group's daily operations.

17 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2025	31 December 2024
Deposits with:		
Domestic banks	**348,700**	518,355
Other domestic financial institutions	**17,587**	11,635
Overseas banks	**43,522**	40,621
Subtotal	**409,809**	570,611
Accrued interest	**2,418**	2,799
Allowance for impairment losses	**(1,309)**	(1,454)
Carrying amount	**410,918**	571,956

18 PLACEMENTS WITH AND LOANS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2025	31 December 2024
Placements with and loans to:		
Domestic banks	**102,065**	161,157
Other domestic financial institutions	**127,215**	119,800
Overseas banks and other financial institutions	**241,931**	247,172
Subtotal	**471,211**	528,129
Accrued interest	**3,126**	3,491
Allowance for impairment losses	**(1,876)**	(1,853)
Carrying amount	**472,461**	529,767

19 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

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

Certain financial assets and financial liabilities of the Group are subject to enforceable master net 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. The Group did not offset these financial assets and financial liabilities on a net basis. As at 30 June 2025 and 31 December 2024, the Group did not hold any other financial assets or liabilities, other than derivatives, that are subject to master netting arrangements or similar agreements.

19 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Continued)

	30 June 2025		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross – currency interest rate swaps	**5,500,507**	**36,457**	**(28,480)**
Currency options	**391,978**	**1,810**	**(1,435)**
Subtotal		**38,267**	**(29,915)**
Interest rate derivatives			
Interest rate swaps	**658,599**	**2,717**	**(2,248)**
Precious metal derivatives and others	**229,236**	**1,696**	**(20,776)**
Total		**42,680**	**(52,939)**

	31 December 2024		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross – currency interest rate swaps	3,858,877	59,145	(43,670)
Currency options	283,541	1,687	(2,428)
Subtotal		60,832	(46,098)
Interest rate derivatives			
Interest rate swaps	540,534	3,500	(2,551)
Precious metal derivatives and others	188,098	1,588	(9,497)
Total		65,920	(58,146)

Credit risk-weighted assets for derivative transaction counterparties represent the counterparty credit risk associated with derivative transactions and are calculated in accordance with the "Rules on Capital Management of Commercial Banks" issued by the NFRA which was effective from 1 January 2024, and are dependent on, among other factors, creditworthiness of customers and maturity characteristics of each type of contracts.

	30 June 2025	31 December 2024
Counterparty credit default risk-weighted assets	**35,545**	31,440
Credit value adjustment risk-weighted assets	**11,235**	9,485
Central counterparties credit risk-weighted assets	**10,851**	2,346
Total	**57,631**	43,271

19 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Continued)

Fair value hedges

The following designated fair value hedging instruments are included in the derivative financial instruments disclosed above:

	30 June 2025		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	**62,427**	**917**	**(495)**

	31 December 2024		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	49,738	1,183	(199)

The Group uses interest rate swaps to hedge against changes arising from changes in interest rates in fair value of loans and advances to customers, debt instrument investments at amortized cost and other debt instrument investments at fair value through other comprehensive income.

The Group's net (losses)/gains on fair value hedges are as follow:

	Six months ended 30 June	
	2025	2024
Net (losses)/gains on		
— hedging instruments	**(702)**	255
— hedged items	**669**	(309)
Ineffective portion recognized in net trading gains	**(33)**	(54)

The following table shows maturity details with notional amount of hedging instruments disclosed above:

	Fair value hedges					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
30 June 2025	**129**	**549**	**11,427**	**43,028**	**7,294**	**62,427**
31 December 2024	129	144	2,586	41,536	5,343	49,738

19 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Continued)

Fair value hedges (Continued)

The following table sets out the details of the hedged items covered by the Group's fair value hedging strategies:

	30 June 2025				
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		Line items in the statement of financial position
	Assets	Liabilities	Assets	Liabilities	
Bonds	**59,594**	**–**	**(2)**	**–**	**Debt instrument investments at amortized cost and other debt instrument investments at fair value through other comprehensive income**
Loans	**2,490**	**–**	**8**	**–**	**Loans and advances to customers**
Total	**62,084**	**–**	**6**	**–**	

	31 December 2024				
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		Line items in the statement of financial position
	Assets	Liabilities	Assets	Liabilities	
Bonds	46,821	–	–	–	Other debt instrument investments at fair value through other comprehensive income
Loans	2,528	–	(45)	–	Loans and advances to customers
Total	49,349	–	(45)	–	

20 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	30 June 2025	31 December 2024
Analyzed by collateral type:		
Debt securities	**1,481,926**	1,302,198
Bills	**74,500**	71,150
Subtotal	**1,556,426**	1,373,348
Accrued interest	**260**	424
Allowance for impairment losses	**(2,415)**	(2,201)
Carrying amount	**1,554,271**	1,371,571

The collateral received in connection with financial assets held under resale agreements is disclosed in Note 45 Contingent liabilities and commitments – Collateral.

21 LOANS AND ADVANCES TO CUSTOMERS

21.1 Analyzed by measurement basis

	Notes	30 June 2025	31 December 2024
Measured at amortized cost	(1)	**23,729,003**	22,159,675
Measured at fair value through other comprehensive income	(2)	**2,034,998**	1,817,338
Total		**25,764,001**	23,977,013

(1) Measured at amortized cost:

	30 June 2025	*31 December 2024*
Corporate loans and advances		
Loans and advances	***15,321,650***	*14,208,469*
Personal loans	***9,319,754***	*8,830,444*
Subtotal	***24,641,404***	*23,038,913*
Accrued interest	***52,658***	*49,936*
Allowance for impairment losses	***(965,059)***	*(929,174)*
Carrying amount of loans and advances to customers measured at amortized cost	***23,729,003***	*22,159,675*

(2) Measured at fair value through other comprehensive income:

	30 June 2025	*31 December 2024*
Corporate loans and advances		
Loans and advances	***504,164***	*309,417*
Discounted bills	***1,530,834***	*1,507,921*
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	***2,034,998***	*1,817,338*

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

21.2 Analyzed by ECL assessment method

	30 June 2025			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
Gross loans and advances to customers measured at amortized cost	**23,959,753**	**393,206**	**341,103**	**24,694,062**
Allowance for impairment losses	**(650,469)**	**(96,930)**	**(217,660)**	**(965,059)**
Loans and advances to customers measured at amortized cost, net	**23,309,284**	**296,276**	**123,443**	**23,729,003**
Loans and advances to customers measured at fair value through other comprehensive income	**2,027,571**	**7,255**	**172**	**2,034,998**
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	**(39,941)**	**(1,591)**	**(172)**	**(41,704)**

	31 December 2024			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
Gross loans and advances to customers measured at amortized cost	22,349,632	417,224	321,993	23,088,849
Allowance for impairment losses	(625,897)	(97,859)	(205,418)	(929,174)
Loans and advances to customers measured at amortized cost, net	21,723,735	319,365	116,575	22,159,675
Loans and advances to customers measured at fair value through other comprehensive income	1,803,322	13,844	172	1,817,338
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	(33,430)	(2,529)	(93)	(36,052)

The expected credit loss ("ECL") for corporate loans and advances in Stage I and Stage II, as well as personal loans, were measured in accordance with the risk parameters modelling method. The ECL for corporate loans and advances in Stage III were calculated using the discounted cash flow method. For details, see Note 47.1 Credit risk.

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

21.3 Analyzed by movements in loss allowance

The movements of loss allowance are mainly affected by:

— Transfers between stages due to loans and advances to customers experiencing significant increases (or decreases) in credit risk or becoming credit-impaired, and the corresponding transfer of the measurement basis of the loss allowance between 12 months and the entire lifetime ECL;

— Allowance for new loans and advances to customers recognized;

— Remeasurement includes the impact of changes in model assumptions, updates of model parameters, changes in probability of default and loss given default; changes in ECL due to transfer of loans and advances to customers between stages; changes in ECL due to unwinding of discount over time; changes in foreign exchange translations for assets denominated in foreign currencies and other movements;

— The reversal of allowances caused by repayment, transfer out and write-offs of loans and advances to customers.

The following table shows the impact of above factors on the allowance for impairment losses:

	Six months ended 30 June 2025			
	Stage I	Stage II	Stage III	
Corporate loans and advances	12 months ECL	Lifetime ECL		Total
1 January 2025	476,083	69,824	148,891	694,798
Transfer:				
Stage I to Stage II	(4,153)	4,153	–	–
Stage II to Stage III	–	(12,131)	12,131	–
Stage II to Stage I	9,112	(9,112)	–	–
Stage III to Stage II	–	4,816	(4,816)	–
Originated or purchased financial assets	93,825	–	–	93,825
Remeasurement	(25,893)	10,414	24,382	8,903
Repayment or transfer out	(48,795)	(8,305)	(10,770)	(67,870)
Write-offs	–	–	(22,124)	(22,124)
30 June 2025	500,179	59,659	147,694	707,532

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

21.3 Analyzed by movements in loss allowance (Continued)

	Six months ended 30 June 2025			
	Stage I	Stage II	Stage III	
Personal loans	**12 months ECL**	**Lifetime ECL**		**Total**
1 January 2025	**183,244**	**30,564**	**56,620**	**270,428**
Transfer:				
Stage I to Stage II	**(4,271)**	**4,271**	**–**	**–**
Stage II to Stage III	**–**	**(14,789)**	**14,789**	**–**
Stage II to Stage I	**5,061**	**(5,061)**	**–**	**–**
Stage III to Stage II	**–**	**2,351**	**(2,351)**	**–**
Originated or purchased financial assets	**68,180**	**–**	**–**	**68,180**
Remeasurement	**(24,480)**	**26,193**	**37,150**	**38,863**
Repayment or transfer out	**(37,503)**	**(4,667)**	**(9,090)**	**(51,260)**
Write-offs	**–**	**–**	**(26,980)**	**(26,980)**
30 June 2025	**190,231**	**38,862**	**70,138**	**299,231**

	Year ended 31 December 2024			
	Stage I	Stage II	Stage III	
Corporate loans and advances	12 months ECL	Lifetime ECL		Total
1 January 2024	461,708	68,916	148,403	679,027
Transfer:				
Stage I to Stage II	(8,078)	8,078	–	–
Stage II to Stage III	–	(20,447)	20,447	–
Stage II to Stage I	9,878	(9,878)	–	–
Stage III to Stage II	–	16,138	(16,138)	–
Originated or purchased financial assets	127,386	–	–	127,386
Remeasurement	(27,500)	19,693	54,848	47,041
Repayment or transfer out	(87,311)	(12,676)	(18,873)	(118,860)
Write-offs	–	–	(39,796)	(39,796)
31 December 2024	476,083	69,824	148,891	694,798

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

21.3 Analyzed by movements in loss allowance (Continued)

	Year ended 31 December 2024			
	Stage I	Stage II	Stage III	
Personal loans	12 months ECL	Lifetime ECL		Total
1 January 2024	171,622	25,807	37,462	234,891
Transfer:				
Stage I to Stage II	(5,519)	5,519	–	–
Stage II to Stage III	–	(19,073)	19,073	–
Stage II to Stage I	8,847	(8,847)	–	–
Stage III to Stage II	–	2,767	(2,767)	–
Originated or purchased financial assets	89,118	–	–	89,118
Remeasurement	(18,934)	33,114	65,904	80,084
Repayment or transfer out	(61,890)	(8,723)	(27,070)	(97,683)
Write-offs	–	–	(35,982)	(35,982)
31 December 2024	183,244	30,564	56,620	270,428

22 FINANCIAL INVESTMENTS

	Notes	30 June 2025	31 December 2024
Financial assets at fair value through profit or loss	22.1	**521,158**	513,306
Debt instrument investments at amortized cost	22.2	**10,348,968**	9,905,633
Other debt instrument and other equity investments at fair value through other comprehensive income	22.3	**3,570,257**	3,430,164
Total		**14,440,383**	13,849,103

22 FINANCIAL INVESTMENTS (Continued)

22.1 Financial assets at fair value through profit or loss

	Notes	30 June 2025	31 December 2024
Financial assets held for trading	(1)	**202,686**	176,349
Financial assets designated at fair value through profit or loss	(2)	**–**	631
Other financial assets at fair value through profit or loss	(3)	**318,472**	336,326
Total		**521,158**	513,306
Analyzed as:			
Listed in Hong Kong		**9,772**	13,760
Listed outside Hong Kong	(i)	**351,255**	339,305
Unlisted		**160,131**	160,241
Total		**521,158**	513,306

(i) Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

(1) Financial assets held for trading

	30 June 2025	31 December 2024
Debt securities issued by:		
Governments	**9,157**	9,975
Public sector and quasi-governments	**41,298**	37,473
Financial institutions	**77,158**	48,523
Corporates	**31,546**	35,468
Subtotal of debt securities	**159,159**	131,439
Precious metal contracts	**22,396**	20,967
Equity	**6,634**	7,174
Fund and others	**14,497**	16,769
Total	**202,686**	176,349

22 FINANCIAL INVESTMENTS (Continued)

22.1 Financial assets at fair value through profit or loss (Continued)

(2) Financial assets designated at fair value through profit or loss (ii)

	30 June 2025	31 December 2024
Debt securities issued by:		
Financial institutions	–	469
Corporates	–	162
Total	–	631

(ii) In order to eliminate or significantly reduce accounting mismatches, the Group designates certain debt securities as financial assets at fair value through profit or loss.

(3) Other financial assets at fair value through profit or loss (iii)

	30 June 2025	31 December 2024
Debt securities issued by:		
Public sector and quasi-governments	**18,203**	18,202
Financial institutions	**146,277**	163,561
Corporates	**2,692**	1,733
Subtotal of debt securities	**167,172**	183,496
Equity	**108,743**	108,844
Fund and others	**42,557**	43,986
Total	**318,472**	336,326

(iii) Other financial assets at fair value through profit or loss refer to financial assets that do not qualify for measurement at amortized cost or fair value through other comprehensive income and are not held for trading, including bond investments, equity interests, funds, trust plans and asset management products of the Group.

22 FINANCIAL INVESTMENTS (Continued)

22.2 Debt instrument investments at amortized cost

	Notes	30 June 2025	31 December 2024
Debt securities issued by:			
Governments		**7,932,886**	7,325,911
Public sector and quasi-governments		**1,398,434**	1,552,603
Financial institutions		**366,806**	407,880
Corporates		**115,220**	79,527
Subtotal of debt securities		**9,813,346**	9,365,921
Receivable from the MOF	(i)	**290,891**	290,891
Special government bond	(ii)	**93,314**	93,315
Others	(iii)	**20,789**	21,888
Subtotal		**10,218,340**	9,772,015
Accrued interest		**159,513**	157,187
Allowance for impairment losses		**(28,885)**	(23,569)
Debt instrument investments at amortized cost, net		**10,348,968**	9,905,633
Analyzed as:			
Listed in Hong Kong		**19,804**	29,607
Listed outside Hong Kong	(iv)	**9,898,832**	9,448,580
Unlisted		**430,332**	427,446
Total		**10,348,968**	9,905,633

(i) The Group received a notice from the MOF in January 2020, clarifying that from 1 January 2020, the interest rate of the unpaid payments will be verified year by year based on the rate of return of the five-year treasury bond of the previous year.

(ii) Special government bond refers to the non-transferable bond issued by the MOF in 1998 in the aggregated principal amount of RMB93.3 billion to the Predecessor Entity for capital replenishment. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum, starting from 1 December 2008.

(iii) Other debt instrument investments at amortized cost are primarily related to investment in unconsolidated structured entities held by the Group (Note 44(2)).

(iv) Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

22 FINANCIAL INVESTMENTS (Continued)

22.2 Debt instrument investments at amortized cost (Continued)

(1) Analyzed by ECL assessment method

	30 June 2025			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
Gross debt instrument investments at amortized cost	**10,375,566**	**603**	**1,684**	**10,377,853**
Allowance for impairment losses	**(27,675)**	**(13)**	**(1,197)**	**(28,885)**
Debt instrument investments at amortized cost, net	**10,347,891**	**590**	**487**	**10,348,968**

	31 December 2024			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
Gross debt instrument investments at amortized cost	9,927,191	599	1,412	9,929,202
Allowance for impairment losses	(22,546)	(16)	(1,007)	(23,569)
Debt instrument investments at amortized cost, net	9,904,645	583	405	9,905,633

Debt instrument investments at amortized cost in Stage II and Stage III mainly included corporates bonds and other debt instrument investments of the Group.

22 FINANCIAL INVESTMENTS (Continued)

22.2 Debt instrument investments at amortized cost (Continued)

(2) Analyzed by movements in loss allowance (v)

	Six months ended 30 June 2025			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
1 January 2025	**22,546**	**16**	**1,007**	**23,569**
Originated or purchased financial assets	**2,831**	**–**	**199**	**3,030**
Remeasurement	**3,448**	**(3)**	**(2)**	**3,443**
Maturities or transfer out	**(1,150)**	**–**	**(7)**	**(1,157)**
30 June 2025	**27,675**	**13**	**1,197**	**28,885**

	Year ended 31 December 2024			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
1 January 2024	13,253	–	1,289	14,542
Transfer:				
Stage I to Stage II	(4)	4	–	–
Originated or purchased financial assets	3,876	–	–	3,876
Remeasurement	6,335	12	5	6,352
Maturities or transfer out	(914)	–	(287)	(1,201)
31 December 2024	22,546	16	1,007	23,569

(v) As at 30 June 2025, the increases of the Group's loss allowance of debt instrument investments at amortized cost were mainly due to the remeasurement of remained debt instrument investments and the increase of debt instrument investments.

22 FINANCIAL INVESTMENTS (Continued)

22.3 Other debt instrument and other equity investments at fair value through other comprehensive income

	Notes	30 June 2025 Amortized cost of debt instruments/ cost of equity instruments	Fair value	Cumulative amount of change in fair value that is accrued to other comprehensive income	Cumulative amount of impairment
Other debt instrument investments	(1)	**3,479,278**	**3,552,115**	**72,837**	**(4,801)**
Other equity investments	(2)	**11,209**	**18,142**	**6,933**	**N/A**
Total		**3,490,487**	**3,570,257**	**79,770**	**(4,801)**

	Notes	31 December 2024 Amortized cost of debt instruments/ cost of equity instruments	Fair value	Cumulative amount of change in fair value that is accrued to other comprehensive income	Cumulative amount of impairment
Other debt instrument investments	(1)	3,336,449	3,418,609	82,160	(4,916)
Other equity investments	(2)	9,118	11,555	2,437	N/A
Total		3,345,567	3,430,164	84,597	(4,916)

22 FINANCIAL INVESTMENTS (Continued)

22.3 Other debt instrument and other equity investments at fair value through other comprehensive income (Continued)

(1) Other debt instrument investments

(a) Analyzed by types of issuers

	Note	30 June 2025	31 December 2024
Debt securities:			
Governments		**2,425,689**	1,890,398
Public sector and quasi-governments		**271,774**	268,036
Financial institutions		**682,877**	1,116,984
Corporates		**138,890**	109,288
Subtotal of debt securities		**3,519,230**	3,384,706
Others	(i)	**4,995**	8,330
Subtotal		**3,524,225**	3,393,036
Accrued interest		**27,890**	25,573
Total		**3,552,115**	3,418,609
Analyzed as:			
Listed in Hong Kong		**97,108**	125,115
Listed outside Hong Kong		**3,326,240**	3,201,369
Unlisted		**128,767**	92,125
Total		**3,552,115**	3,418,609

(i) Others primarily include investments in unconsolidated structured entities held by the Group (Note 44(2)), such as trust plans and debt investment plans.

22 FINANCIAL INVESTMENTS (Continued)

22.3 Other debt instrument and other equity investments at fair value through other comprehensive income (Continued)

(1) Other debt instrument investments (Continued)

(b) Analyzed by ECL assessment method

	30 June 2025			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
Carrying amount of other debt instrument investments at fair value through other comprehensive income	**3,551,827**	**288**	**–**	**3,552,115**
Allowance for impairment losses	**(4,799)**	**(2)**	**–**	**(4,801)**

	31 December 2024			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
Carrying amount of other debt instrument investments at fair value through other comprehensive income	3,418,021	588	–	3,418,609
Allowance for impairment losses	(4,906)	(10)	–	(4,916)

As at 30 June 2025 and 31 December 2024, other debt instrument investments at fair value through other comprehensive income in Stage II mainly included corporates bonds and financial institutions bonds of the Group. The Group did not hold any other debt instrument investments at fair value through other comprehensive income in Stage III.

(c) Analyzed by movements in loss allowance (ii)

	Six months ended 30 June 2025			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
1 January 2025	**4,906**	**10**	**–**	**4,916**
Originated or purchased financial assets	**622**	**–**	**–**	**622**
Remeasurement	**(21)**	**(7)**	**–**	**(28)**
Maturities or transfer out	**(708)**	**(1)**	**–**	**(709)**
30 June 2025	**4,799**	**2**	**–**	**4,801**

22 FINANCIAL INVESTMENTS (Continued)

22.3 Other debt instrument and other equity investments at fair value through other comprehensive income (Continued)

(1) Other debt instrument investments (Continued)

(c) Analyzed by movements in loss allowance (ii) (Continued)

	Year ended 31 December 2024			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
1 January 2024	3,848	7	15	3,870
Originated or purchased financial assets	1,705	–	–	1,705
Remeasurement	34	4	–	38
Maturities or transfer out	(681)	(1)	–	(682)
Write-offs	–	–	(15)	(15)
31 December 2024	4,906	10	–	4,916

(ii) As at 30 June 2025, the decreases of the Group's loss allowance of other debt instrument investments at fair value through other comprehensive income were mainly due to maturities or transfer out of remained debt instrument investments and the remeasurement of remained debt instrument investments.

(2) Other equity investments

	30 June 2025	31 December 2024
Financial institutions	**13,828**	8,775
Other enterprises	**4,314**	2,780
Total	**18,142**	11,555

The Group designates certain non-trading equity investments as financial investments at fair value through other comprehensive income. For the six months ended 30 June 2025, dividend income from such equity investments of the Group was RMB148 million (six months ended 30 June 2024: RMB8 million). The value of disposed of such equity investments was RMB19 million (six months ended 30 June 2024: RMB612 million) and the cumulative gains transferred into retained earnings from other comprehensive income after disposal were RMB2 million (six months ended 30 June 2024: cumulative gains of RMB23 million).

23 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	30 June 2025	31 December 2024
Investment in associates	**13,261**	8,288
Investment in joint ventures	**2,425**	2,133
Subtotal	**15,686**	10,421
Allowance for impairment losses – investment in associates	**(89)**	(89)
Carrying amount	**15,597**	10,332

The detail information of the investment in associates and joint ventures was disclosed in Note 5 Investment in subsidiaries, associates, joint ventures and structured entities.

24 PROPERTY AND EQUIPMENT

	Buildings	Machinery and equipment	Motor vehicles	Construction in progress	Total
Cost:					
1 January 2025	**200,806**	**73,209**	**19,449**	**13,715**	**307,179**
Additions	**143**	**1,195**	**1,048**	**1,857**	**4,243**
Transfers in/(out)	**1,057**	**876**	**864**	**(2,797)**	**–**
Other movements	**(610)**	**(1,991)**	**(88)**	**(75)**	**(2,764)**
30 June 2025	**201,396**	**73,289**	**21,273**	**12,700**	**308,658**
Accumulated depreciation:					
1 January 2025	**(95,947)**	**(51,308)**	**(5,122)**	**–**	**(152,377)**
Charge for the period	**(3,715)**	**(3,551)**	**(514)**	**–**	**(7,780)**
Other movements	**472**	**1,613**	**37**	**–**	**2,122**
30 June 2025	**(99,190)**	**(53,246)**	**(5,599)**	**–**	**(158,035)**
Allowance for impairment losses:					
1 January 2025	**(256)**	**(6)**	**(22)**	**(34)**	**(318)**
Other movements	**8**	**–**	**–**	**–**	**8**
30 June 2025	**(248)**	**(6)**	**(22)**	**(34)**	**(310)**
Carrying amount:					
1 January 2025	**104,603**	**21,895**	**14,305**	**13,681**	**154,484**
30 June 2025	**101,958**	**20,037**	**15,652**	**12,666**	**150,313**

24 PROPERTY AND EQUIPMENT (Continued)

	Buildings	Machinery and equipment	Motor vehicles	Construction in progress	Total
Cost:					
1 January 2024	198,006	73,344	16,452	12,386	300,188
Additions	2,680	5,746	3,187	6,412	18,025
Transfers in/(out)	2,977	2,039	–	(5,016)	–
Other movements	(2,857)	(7,920)	(190)	(67)	(11,034)
31 December 2024	200,806	73,209	19,449	13,715	307,179
Accumulated depreciation:					
1 January 2024	(89,514)	(49,003)	(4,588)	–	(143,105)
Charge for the year	(7,367)	(7,462)	(854)	–	(15,683)
Other movements	934	5,157	320	–	6,411
31 December 2024	(95,947)	(51,308)	(5,122)	–	(152,377)
Allowance for impairment losses:					
1 January 2024	(261)	(27)	(22)	(34)	(344)
Impairment loss	–	(0)	–	–	(0)
Other movements	5	21	–	–	26
31 December 2024	(256)	(6)	(22)	(34)	(318)
Carrying amount:					
1 January 2024	108,231	24,314	11,842	12,352	156,739
31 December 2024	104,603	21,895	14,305	13,681	154,484

According to the relevant laws and regulations, subsequent to the Bank's transformation into a joint stock company, the legal title of properties previously held by the Predecessor Entity are to be transferred to the Bank. As at 30 June 2025, the registration transfer process of these transferred properties and other certain properties has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those assets or adversely affect the Bank's operation.

25 DEFERRED TAXATION

For the purpose of presentation in the condensed consolidated interim statement of financial position, certain deferred tax assets and liabilities have been offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following is the analysis of the deferred tax balances:

	30 June 2025	31 December 2024
Deferred tax assets	**143,504**	148,009
Deferred tax liabilities	**(632)**	(309)
Net	**142,872**	147,700

(1) The following are the movements and major deferred tax assets and liabilities recognized:

	Allowance for impairment losses	**Accrued but unpaid staff cost**	**Early retirement benefits**	**Provision**	**Fair value changes of financial instruments**	**Others**	**Total**
1 January 2025	**152,019**	**18,944**	**101**	**8,917**	**(35,642)**	**3,361**	**147,700**
Credit/(charge) to the consolidated statement of profit or loss	**5,789**	**(3,629)**	**(13)**	**(1,431)**	**(5,005)**	**(615)**	**(4,904)**
(Charge)/credit to other comprehensive income	**–**	**–**	**–**	**–**	**(651)**	**727**	**76**
30 June 2025	**157,808**	**15,315**	**88**	**7,486**	**(41,298)**	**3,473**	**142,872**

	Allowance for impairment losses	Accrued but unpaid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
1 January 2024	151,050	16,714	134	10,919	(19,007)	926	160,736
Credit/(charge) to the consolidated statement of profit or loss	969	2,230	(33)	(2,002)	(1,061)	(709)	(606)
(Charge)/credit to other comprehensive income	–	–	–	–	(15,574)	3,144	(12,430)
31 December 2024	152,019	18,944	101	8,917	(35,642)	3,361	147,700

25 DEFERRED TAXATION (Continued)

(2) Deferred tax assets/(liabilities) and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

	30 June 2025		31 December 2024	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/(liabilities)
Deferred tax assets				
Allowance for impairment losses	**631,263**	**157,808**	608,108	152,019
Fair value changes of financial instruments	**99,709**	**24,922**	90,239	22,556
Accrued but unpaid staff cost	**61,261**	**15,315**	75,777	18,944
Provision	**29,942**	**7,486**	35,669	8,917
Early retirement benefits	**353**	**88**	404	101
Others	**24,518**	**6,125**	24,035	6,007
Subtotal	**847,046**	**211,744**	834,232	208,544
Deferred tax liabilities				
Fair value changes of financial instruments	**(265,101)**	**(66,220)**	(233,013)	(58,198)
Others	**(10,630)**	**(2,652)**	(10,609)	(2,646)
Subtotal	**(275,731)**	**(68,872)**	(243,622)	(60,844)
Net	**571,315**	**142,872**	590,610	147,700

26 OTHER ASSETS

	Notes	30 June 2025	31 December 2024
Accounts receivable and temporary payments		**257,508**	247,297
Land use rights	(1)	**18,021**	18,479
Right-of-use assets	(2)	**10,611**	11,109
Intangible assets	(3)	**10,542**	10,626
Interest receivable		**3,351**	4,479
Long-term deferred expenses		**3,019**	3,211
Investment properties		**2,207**	2,247
Foreclosed assets		**1,175**	1,207
Insurance services receivable		**249**	301
Others		**22,368**	9,938
Total		**329,051**	308,894

(1) According to the relevant laws and regulations, subsequent to the Bank's transformation into a joint stock company, land use rights previously held by the Predecessor Entity are to be transferred to the Bank. As at 30 June 2025, the registration transfer process of certain land use rights has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those land use rights.

(2) Right-of-use assets

	Buildings	*Others*	*Total*
Cost:			
1 January 2025	***23,758***	***130***	***23,888***
Additions	***1,869***	***2***	***1,871***
Other movements	***(1,763)***	***(6)***	***(1,769)***
30 June 2025	***23,864***	***126***	***23,990***
Accumulated depreciation:			
1 January 2025	***(12,686)***	***(93)***	***(12,779)***
Additions	***(1,957)***	***(7)***	***(1,964)***
Other movements	***1,360***	***4***	***1,364***
30 June 2025	***(13,283)***	***(96)***	***(13,379)***
Carrying amount:			
1 January 2025	***11,072***	***37***	***11,109***
30 June 2025	***10,581***	***30***	***10,611***

26 OTHER ASSETS (Continued)

(2) Right-of-use assets (Continued)

	Buildings	*Others*	*Total*
Cost:			
1 January 2024	*22,941*	*135*	*23,076*
Additions	*3,960*	*12*	*3,972*
Other movements	*(3,143)*	*(17)*	*(3,160)*
31 December 2024	*23,758*	*130*	*23,888*
Accumulated depreciation:			
1 January 2024	*(11,488)*	*(86)*	*(11,574)*
Additions	*(3,877)*	*(21)*	*(3,898)*
Other movements	*2,679*	*14*	*2,693*
31 December 2024	*(12,686)*	*(93)*	*(12,779)*
Carrying amount:			
1 January 2024	*11,453*	*49*	*11,502*
31 December 2024	*11,072*	*37*	*11,109*

(3) For the six months ended 30 June 2025, the Group's capitalized research and development expenditure amounted to RMB1,031 million (six months ended 30 June 2024: RMB1,128 million), and the Group's capitalized research and development expenditure of the projects that had been closed and transferred to intangible assets amounted to RMB1,082 million (six months ended 30 June 2024: RMB416 million).

27 BORROWINGS FROM CENTRAL BANKS

	30 June 2025	31 December 2024
Borrowings from central banks	**934,146**	836,668
Accrued interest	**8,632**	10,656
Total	**942,778**	847,324

28 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2025	31 December 2024
Deposits from:		
Domestic banks	**1,012,854**	301,737
Other domestic financial institutions	**4,556,287**	4,272,991
Overseas banks	**4,945**	4,399
Other overseas financial institutions	**66,906**	59,739
Subtotal	**5,640,992**	4,638,866
Accrued interest	**29,079**	28,695
Total	**5,670,071**	4,667,561

29 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2025	31 December 2024
Placements from:		
Domestic banks and other financial institutions	**146,962**	112,502
Overseas banks and other financial institutions	**217,203**	248,311
Subtotal	**364,165**	360,813
Accrued interest	**2,310**	3,209
Total	**366,475**	364,022

30 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2025	31 December 2024
Financial liabilities held for trading		
Precious metal contracts	**24,079**	15,254
Financial liabilities designated at fair value through profit or loss		
Liabilities of the controlled structured entities	**957**	587
Total	**25,036**	15,841

For the six months ended 30 June 2025 and the year ended 31 December 2024, there were no significant changes in the fair value of the Group's financial liabilities designated at fair value through profit or loss attributable to the changes in the Group's own credit risk.

31 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	30 June 2025	31 December 2024
Analyzed by type of collateral:		
Debt securities	**1,059,215**	611,013
Bills	**3,805**	3,522
Subtotal	**1,063,020**	614,535
Accrued interest	**3,438**	1,190
Total	**1,066,458**	615,725

The collateral pledged under repurchase agreements is disclosed in Note 45 Contingent liabilities and commitments – Collateral.

32 DUE TO CUSTOMERS

	Note	30 June 2025	31 December 2024
Demand deposits			
Corporate customers		**5,342,228**	5,233,764
Individual customers		**7,215,531**	6,942,779
Time deposits			
Corporate customers		**5,121,136**	4,989,108
Individual customers		**12,942,696**	11,760,561
Pledged deposits	(1)	**587,003**	708,129
Others		**208,193**	152,338
Subtotal		**31,416,787**	29,786,679
Accrued interest		**483,699**	518,678
Total		**31,900,486**	30,305,357

(1) Analyzed by activity to which pledged deposits are related to:

	30 June 2025	31 December 2024
Bank acceptance	**232,544**	405,425
Letters of credit	**82,667**	58,127
Letters of guarantee and guarantees	**42,206**	43,724
Trade finance	**32,328**	71,186
Others	**197,258**	129,667
Total	**587,003**	708,129

(2) As at 30 June 2025, due to customers measured at amortized cost of the Group amounted to RMB31,856,368 million (31 December 2024: RMB30,277,605 million); due to customers measured at fair value through profit or loss of the Group amounted to RMB44,118 million (31 December 2024: RMB27,752 million). As at 30 June 2025 and 31 December 2024, the difference between the fair value of the structured deposits designated at fair value through profit or loss issued by the Group and the contractual amount payable to the holders of these products upon maturity was not material.

33 DEBT SECURITIES ISSUED

	Notes	30 June 2025	31 December 2024
Bonds issued	(1)	**840,811**	680,217
Certificates of deposit issued	(2)	**352,483**	375,031
Other debt securities issued	(3)	**1,900,744**	1,610,049
Subtotal		**3,094,038**	2,665,297
Accrued interest		**11,749**	13,212
Total		**3,105,787**	2,678,509

As at 30 June 2025 and 31 December 2024, there was no default on the principal, interest or redemption related to any debt securities issued by the Group.

33 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued

	Notes	30 June 2025	31 December 2024
2.40% CNY fixed rate Green Bonds maturing in October 2025	(i)	**15,000**	15,000
1.85% CNY fixed rate Green Bonds maturing in February 2028	(ii)	**50,000**	–
2.80% CNY fixed rate Green Bonds maturing in October 2027	(iii)	**5,000**	5,000
1.88% CNY fixed rate Green Bonds maturing in February 2030	(iv)	**10,000**	–
1.25% USD fixed rate Green Bonds maturing in January 2026	(v)	**2,148**	2,157
2.00% USD fixed rate Green Bonds maturing in January 2027	(vi)	**2,148**	2,157
SOFR+0.63% USD float rate Green Bonds maturing in November 2026	(vii)	**2,148**	2,157
3.10% Tier-two capital fixed rate bonds maturing in May 2030	(viii)	**–**	40,000
3.45% Tier-two capital fixed rate bonds maturing in June 2032	(ix)	**40,000**	40,000
3.03% Tier-two capital fixed rate bonds maturing in September 2032	(x)	**50,000**	50,000
3.49% Tier-two capital fixed rate bonds maturing in March 2033	(xi)	**45,000**	45,000
3.25% Tier-two capital fixed rate bonds maturing in September 2033	(xii)	**30,000**	30,000
3.45% Tier-two capital fixed rate bonds maturing in October 2033	(xiii)	**30,000**	30,000
2.76% Tier-two capital fixed rate bonds maturing in February 2034	(xiv)	**35,000**	35,000
2.32% Tier-two capital fixed rate bonds maturing in April 2034	(xv)	**30,000**	30,000
1.93% Tier-two capital fixed rate bonds maturing in June 2035	(xvi)	**35,000**	–
4.53% Tier-two capital fixed rate bonds maturing in March 2034	(xvii)	**10,000**	10,000
4.63% Tier-two capital fixed rate bonds maturing in April 2034	(xviii)	**20,000**	20,000
3.65% Tier-two capital fixed rate bonds maturing in June 2037	(xix)	**20,000**	20,000
3.34% Tier-two capital fixed rate bonds maturing in September 2037	(xx)	**20,000**	20,000
3.61% Tier-two capital fixed rate bonds maturing in March 2038	(xxi)	**25,000**	25,000
3.35% Tier-two capital fixed rate bonds maturing in September 2038	(xxii)	**30,000**	30,000
3.55% Tier-two capital fixed rate bonds maturing in October 2038	(xxiii)	**30,000**	30,000
2.80% Tier-two capital fixed rate bonds maturing in February 2039	(xxiv)	**35,000**	35,000
2.49% Tier-two capital fixed rate bonds maturing in April 2039	(xxv)	**30,000**	30,000

33 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued)

	Notes	30 June 2025	31 December 2024
2.10% Tier-two capital fixed rate bonds maturing in June 2040	(xxvi)	**25,000**	–
Medium term notes issued	(xxvii)	**39,516**	41,887
2.65% fixed rate financial bonds maturing in June 2026	(xxviii)	**20,000**	20,000
1.74% fixed rate financial bonds maturing in January 2028	(xxix)	**30,000**	–
1.65% fixed rate financial bonds maturing in May 2028	(xxx)	**20,000**	–
1.84% fixed rate financial bonds maturing in January 2030	(xxxi)	**10,000**	–
2.18% fixed rate Total Loss-Absorbing Capacity non-capital bonds maturing in August 2028	(xxxii)	**35,000**	35,000
1.83% fixed rate Total Loss-Absorbing Capacity non-capital bonds maturing in June 2029	(xxxiii)	**15,000**	–
2.24% fixed rate Total Loss-Absorbing Capacity non-capital bonds maturing in August 2030	(xxxiv)	**10,000**	10,000
1.87% fixed rate Total Loss-Absorbing Capacity non-capital bonds maturing in June 2031	(xxxv)	**3,000**	–
2.39% fixed rate Total Loss-Absorbing Capacity non-capital bonds maturing in August 2035	(xxxvi)	**5,000**	5,000
2.06% fixed rate Total Loss-Absorbing Capacity non-capital bonds maturing in June 2036	(xxxvii)	**12,000**	–
2.80% fixed rate financial bonds maturing in November 2026	(xxxviii)	**2,400**	2,400
2.50% fixed rate financial bonds maturing in February 2027	(xxxix)	**3,000**	2,890
2.25% fixed rate financial bonds maturing in April 2027	(xl)	**2,000**	1,600
2.70% fixed rate corporate bonds maturing in April 2027	(xli)	**1,300**	1,300
2.40% fixed rate corporate bonds maturing in June 2027	(xlii)	**2,700**	2,700
2.75% fixed rate financial bonds maturing in March 2025	(xliii)	**–**	6,000
3.60% fixed rate capital replenishment bonds maturing in March 2030	(xliv)	**–**	1,500
3.67% fixed rate capital replenishment bonds maturing in March 2033	(xlv)	**3,500**	3,500
Total nominal value		**840,860**	680,248
Less: Unamortized issuance cost and discounts		**(49)**	(31)
Total		**840,811**	680,217

33 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued)

Pursuant to the approval by relevant regulatory authorities, the bonds issued by the Group are set out as below:

(i) The CNY green bonds issued in October 2022 have a maturity of 3 years, with a fixed coupon rate 2.40%, payable annually.

(ii) The CNY green bonds issued in February 2025 have a maturity of 3 years, with a fixed coupon rate 1.85%, payable annually.

(iii) The CNY green bonds issued in October 2022 have a maturity of 5 years, with a fixed coupon rate 2.80%, payable annually.

(iv) The CNY green bonds issued in February 2025 have a maturity of 5 years, with a fixed coupon rate 1.88%, payable annually.

(v) The USD green bonds issued in January 2021 have a maturity of 5 years, with a fixed coupon rate 1.25%, payable semi-annually.

(vi) The USD green bonds issued in January 2022 have a maturity of 5 years, with a fixed coupon rate 2.00%, payable semi-annually.

(vii) The USD green bonds issued in November 2023 have a maturity of 3 years, with a float coupon rate SOFR+0.63%, payable quarterly.

(viii) The Tier-two capital bonds issued in April 2020 have a maturity of 10 years, with a fixed coupon rate of 3.10% payable annually. The Bank has an option to redeem part or all of the bonds at face value in May 2025 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements. The Bank redeemed all of the bonds at face value on 6 May 2025.

(ix) The Tier-two capital bonds issued in June 2022 have a maturity of 10 years, with a fixed coupon rate of 3.45% payable annually. The Bank has an option to redeem part or all of the bonds at face value in June 2027 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(x) The Tier-two capital bonds issued in September 2022 have a maturity of 10 years, with a fixed coupon rate of 3.03% payable annually. The Bank has an option to redeem part or all of the bonds at face value in September 2027 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xi) The Tier-two capital bonds issued in March 2023 have a maturity of 10 years, with a fixed coupon rate of 3.49% payable annually. The Bank has an option to redeem part or all of the bonds at face value in March 2028 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

33 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued)

(xii) *The Tier-two capital bonds issued in September 2023 have a maturity of 10 years, with a fixed coupon rate of 3.25% payable annually. The Bank has an option to redeem part or all of the bonds at face value in September 2028 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.*

(xiii) *The Tier-two capital bonds issued in October 2023 have a maturity of 10 years, with a fixed coupon rate of 3.45% payable annually. The Bank has an option to redeem part or all of the bonds at face value in October 2028 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.*

(xiv) *The Tier-two capital bonds issued in February 2024 have a maturity of 10 years, with a fixed coupon rate of 2.76% payable annually. The Bank has an option to redeem part or all of the bonds at face value in February 2029 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.*

(xv) *The Tier-two capital bonds issued in April 2024 have a maturity of 10 years, with a fixed coupon rate of 2.32% payable annually. The Bank has an option to redeem part or all of the bonds at face value in April 2029 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.*

(xvi) *The Tier-two capital bonds issued in June 2025 have a maturity of 10 years, with a fixed coupon rate of 1.93% payable annually. The Bank has an option to redeem part or all of the bonds at face value in June 2030 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.*

(xvii) *The Tier-two capital bonds issued in March 2019 have a maturity of 15 years, with a fixed coupon rate of 4.53% payable annually. The Bank has an option to redeem part or all of the bonds at face value in March 2029 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.*

(xviii) *The Tier-two capital bonds issued in April 2019 have a maturity of 15 years, with a fixed coupon rate of 4.63% payable annually. The Bank has an option to redeem part or all of the bonds at face value in April 2029 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.*

(xix) *The Tier-two capital bonds issued in June 2022 have a maturity of 15 years, with a fixed coupon rate of 3.65% payable annually. The Bank has an option to redeem part or all of the bonds at face value in June 2032 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements*

33 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued)

(xx) The Tier-two capital bonds issued in September 2022 have a maturity of 15 years, with a fixed coupon rate of 3.34% payable annually. The Bank has an option to redeem part or all of the bonds at face value in September 2032 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xxi) The Tier-two capital bonds issued in March 2023 have a maturity of 15 years, with a fixed coupon rate of 3.61% payable annually. The Bank has an option to redeem part or all of the bonds at face value in March 2033 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xxii) The Tier-two capital bonds issued in September 2023 have a maturity of 15 years, with a fixed coupon rate of 3.35% payable annually. The Bank has an option to redeem part or all of the bonds at face value in September 2033 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xxiii) The Tier-two capital bonds issued in October 2023 have a maturity of 15 years, with a fixed coupon rate of 3.55% payable annually. The Bank has an option to redeem part or all of the bonds at face value in October 2033 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xxiv) The Tier-two capital bonds issued in February 2024 have a maturity of 15 years, with a fixed coupon rate of 2.80% payable annually. The Bank has an option to redeem part or all of the bonds at face value in February 2034 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xxv) The Tier-two capital bonds issued in April 2024 have a maturity of 15 years, with a fixed coupon rate of 2.49% payable annually. The Bank has an option to redeem part or all of the bonds at face value in April 2034 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xxvi) The Tier-two capital bonds issued in June 2025 have a maturity of 15 years, with a fixed coupon rate of 2.10% payable annually. The Bank has an option to redeem part or all of the bonds at face value in June 2035 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

33 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued)

(xxvii) The medium term notes ("MTNs") were issued by the Overseas Operations of the Group and are measured at amortized cost. The details of MTNs issued were as follows:

	30 June 2025		
	Maturity dates ranging from	***Coupon rates (%)***	***Outstanding balance***
Fixed rate RMB MTNs	***September 2026 to July 2027***	***2.80-2.99***	***2,499***
Fixed rate HKD MTNs	***November 2025***	***4.75***	***1,368***
Fixed rate USD MTNs	***September 2025 to March 2027***	***1.20-2.25***	***18,468***
Floating rate USD MTNs	***August 2025 to April 2028***	***SOFR+48bps to SOFR+63bps***	***17,181***
Total			***39,516***

	31 December 2024		
	Maturity dates ranging from	*Coupon rates (%)*	*Outstanding balance*
Fixed rate RMB MTNs	*January 2025 to July 2027*	*2.80-2.99*	*4,912*
Fixed rate HKD MTNs	*November 2025*	*4.75*	*1,389*
Fixed rate USD MTNs	*January 2025 to March 2027*	*1.20-2.25*	*25,522*
Floating rate USD MTNs	*August 2025 to April 2027*	*SOFR+48bps to SOFR+63bps*	*10,064*
Total			*41,887*

(xxviii) The fixed rate financial bonds issued by ABC in June 2023 have a maturity of 3 years, with a fixed coupon rate 2.65%, payable annually.

(xxix) The fixed rate financial bonds issued by ABC in January 2025 have a maturity of 3 years, with a fixed coupon rate 1.74%, payable annually.

(xxx) The fixed rate financial bonds issued by ABC in May 2025 have a maturity of 3 years, with a fixed coupon rate 1.65%, payable annually.

(xxxi) The fixed rate financial bonds issued by ABC in January 2025 have a maturity of 5 years, with a fixed coupon rate 1.84%, payable annually.

(xxxii) The Total Loss-Absorbing Capacity non-capital bonds issued in August 2024 have a maturity of 4 years, with a fixed coupon rate of 2.18% payable annually. The Bank has an option to redeem part or all of the bonds at face value in August 2027 with the satisfaction of the regulatory requirements.

(xxxiii) The Total Loss-Absorbing Capacity non-capital bonds issued in June 2025 have a maturity of 4 years, with a fixed coupon rate of 1.83% payable annually. The Bank has an option to redeem part or all of the bonds at face value in June 2028 with the satisfaction of the regulatory requirements.

33 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued)

(xxxiv) The Total Loss-Absorbing Capacity non-capital bonds issued in August 2024 have a maturity of 6 years, with a fixed coupon rate of 2.24% payable annually. The Bank has an option to redeem part or all of the bonds at face value in August 2029 with the satisfaction of the regulatory requirements.

(xxxv) The Total Loss-Absorbing Capacity non-capital bonds issued in June 2025 have a maturity of 6 years, with a fixed coupon rate of 1.87% payable annually. The Bank has an option to redeem part or all of the bonds at face value in June 2030 with the satisfaction of the regulatory requirements.

(xxxvi) The Total Loss-Absorbing Capacity non-capital bonds issued in August 2024 have a maturity of 11 years, with a fixed coupon rate of 2.39% payable annually. The Bank has an option to redeem part or all of the bonds at face value in August 2034 with the satisfaction of the regulatory requirements.

(xxxvii) The Total Loss-Absorbing Capacity non-capital bonds issued in June 2025 have a maturity of 11 years, with a fixed coupon rate of 2.06% payable annually. The Bank has an option to redeem part or all of the bonds at face value in June 2035 with the satisfaction of the regulatory requirements.

(xxxviii) The fixed rate financial bonds issued by ABC Financial Leasing Co., Ltd. in November 2023 have a maturity of 3 years, with a fixed coupon rate of 2.80%, payable annually.

(xxxix) The fixed rate financial bonds issued by ABC Financial Leasing Co., Ltd. in February 2024 have a maturity of 3 years, with a fixed coupon rate of 2.50%, payable annually.

(xl) The fixed rate financial bonds issued by ABC Financial Leasing Co., Ltd. in April 2024 have a maturity of 3 years, with a fixed coupon rate of 2.25%, payable annually.

(xli) The fixed rate corporate bonds issued by ABCI Investment Suzhou Corporation Limited in April 2024 have a maturity of 3 years, with a fixed coupon rate of 2.70%, payable annually.

(xlii) The fixed rate corporate bonds issued by ABCI China Investment Corporation Limited in June 2024 have a maturity of 3 years, with a fixed coupon rate of 2.40%, payable annually.

(xliii) The fixed rate financial bonds issued by ABC Financial Asset Investment Co., Ltd. in March 2020 have a maturity of 5 years, with a fixed coupon rate of 2.75%, payable annually. The bonds matured on 16 March 2025.

(xliv) The fixed rate capital replenishment bonds issued by ABC Life Insurance in March 2020 have a maturity of 10 years, with a fixed coupon rate of 3.60%, payable annually. ABC Life Insurance redeemed all of the bonds at face value on 30 March 2025.

(xlv) The fixed rate capital replenishment bonds issued by ABC Life Insurance in March 2023 have a maturity of 10 years, with a fixed coupon rate of 3.67%, payable annually. ABC Life Insurance has an option to redeem all of the bonds at face value in March 2028. If ABC Life Insurance does not exercise this option, the coupon rate of the bonds would increase to 4.67% per annum from 31 March 2028 onwards.

(2) The certificates of deposit were issued by the Overseas Operations of the Group and were measured at amortized cost. As at 30 June 2025, the terms of the certificates of deposit ranged from 7 days to 11 years, with interest rates ranging from 0.00% to 5.50% per annum. (As at 31 December 2024, the terms of the certificates of deposit ranged from 9 days to 5 years, with interest rates ranging from 0.00% to 5.65% per annum.)

33 DEBT SECURITIES ISSUED (Continued)

(3) Other debt securities issued by the Group are commercial papers and interbank certificates of deposit.

(i) The commercial papers were issued by the Overseas Operations of the Group and were measured at amortized cost. As at 30 June 2025, the terms of the commercial papers ranged from 3 months to 9 months, with interest rates ranging from 4.28% to 4.52% per annum (As at 31 December 2024, the terms of the commercial papers ranged from three months to one year, with interest rates ranging from 4.42% to 5.45% per annum.)

(ii) The interbank certificates of deposit were issued by the Bank's Head Office. As at 30 June 2025, the terms of the interbank certificates of deposit ranged from one month to one year, with interest rates ranging from 1.54% to 2.07% per annum (As at 31 December 2024, the terms of the interbank certificate of deposit ranged from one month to one year, with interest rates ranging from 1.60% to 2.34% per annum.)

34 OTHER LIABILITIES

	Notes	30 June 2025	31 December 2024
Insurance liabilities		**196,732**	179,519
Clearing and settlement		**152,999**	156,786
Staff costs payable	(1)	**72,031**	87,803
Provision	(2)	**29,942**	35,669
Other payable		**26,596**	29,345
VAT and other taxes payable		**11,280**	9,414
Lease liabilities	(3)	**10,375**	10,809
Amount payable to the MOF		**482**	266
Income taxes payable		**263**	5,761
Others		**31,352**	31,958
Total		**532,052**	547,330

(1) Staff costs payable

	Notes	30 June 2025	31 December 2024
Short-term employee benefits	(i)	**71,134**	85,581
Defined contribution benefits	(ii)	**544**	1,818
Early retirement benefits	(iii)	**353**	404
Total		**72,031**	87,803

(i) Short-term employee benefits

		Six months ended 30 June 2025			
	Note	1 January	Accrual	Payment	30 June
Salaries, bonuses, allowances and subsidies	(a)	**65,940**	**43,311**	**(58,485)**	**50,766**
Housing funds	(a)	**77**	**5,718**	**(5,725)**	**70**
Social insurance including:	(a)	**298**	**3,540**	**(3,598)**	**240**
— Medical insurance		**274**	**3,348**	**(3,399)**	**223**
— Maternity insurance		**12**	**90**	**(92)**	**10**
— Employment injury insurance		**12**	**102**	**(107)**	**7**
Labor union fees and staff education expenses		**11,297**	**1,501**	**(832)**	**11,966**
Others		**7,969**	**3,773**	**(3,650)**	**8,092**
Total		**85,581**	**57,843**	**(72,290)**	**71,134**

34 OTHER LIABILITIES (Continued)

(1) Staff costs payable (Continued)

(i) Short-term employee benefits (Continued)

	Note	Year ended 31 December 2024			
		1 January	Accrual	Payment	31 December
Salaries, bonuses, allowances and subsidies	(a)	58,165	107,895	(100,120)	65,940
Housing funds	(a)	120	11,126	(11,169)	77
Social insurance including:	(a)	321	6,863	(6,886)	298
— Medical insurance		294	6,487	(6,507)	274
— Maternity insurance		15	183	(186)	12
— Employment injury insurance		12	193	(193)	12
Labor union fees and staff education expenses		11,123	3,766	(3,592)	11,297
Others		6,398	11,317	(9,746)	7,969
Total		76,127	140,967	(131,513)	85,581

(a) Salaries, bonuses, allowances and subsidies, housing funds and social insurance are timely distributed and paid in accordance with the relevant laws and regulations and the Group's policy.

(ii) Defined contribution benefits

	Six months ended 30 June 2025			
	1 January	Accrual	Payment	30 June
Basic pensions	**551**	**6,766**	**(6,872)**	**445**
Unemployment insurance	**48**	**247**	**(258)**	**37**
Annuity Scheme	**1,219**	**3,803**	**(4,960)**	**62**
Total	**1,818**	**10,816**	**(12,090)**	**544**

	Year ended 31 December 2024			
	1 January	Accrual	Payment	31 December
Basic pensions	607	13,071	(13,127)	551
Unemployment insurance	45	480	(477)	48
Annuity Scheme	1,285	8,511	(8,577)	1,219
Total	1,937	22,062	(22,181)	1,818

The defined contribution benefits are timely distributed and paid in accordance with the relevant laws and regulations and the Group's policy. There was no forfeited contribution available to reduce the contribution payable by the Group under the above schemes.

34 OTHER LIABILITIES (Continued)

(1) Staff costs payable (Continued)

(iii) Early retirement benefits

	Six months ended 30 June 2025			
	1 January	**Reversal**	**Payment**	**30 June**
Early retirement benefits	**404**	**(1)**	**(50)**	**353**

	Year ended 31 December 2024			
	1 January	Accrual	Payment	31 December
Early retirement benefits	537	13	(146)	404

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	30 June 2025	31 December 2024
Discount rate	**1.40%**	1.18%
Annual average medical expense growth rate	**8.00%**	8.00%
Annual subsidies growth rate	**8.00%**	8.00%
Normal retirement age		
– Male	**60**	60
– Female	**55**	55

Assumptions regarding future mortality experience are based on the China Life Insurance Mortality Table (published historical statistics in China).

Any difference arising from the actual result or changes in assumptions may affect the amount of expense recognized in the consolidated interim income statement.

(2) Provision

	30 June 2025	31 December 2024
Loan commitments and financial guarantee contracts	**19,962**	22,185
Litigation provision	**4,828**	5,228
Others	**5,152**	8,256
Total	**29,942**	35,669

34 OTHER LIABILITIES (Continued)

(3) Lease liabilities

The table below summarizes the maturity analysis of lease liabilities:

	30 June 2025	31 December 2024
Less than 1 year	**4,010**	3,915
1 – 5 years	**6,294**	6,669
Over 5 years	**784**	1,088
Total undiscounted lease liabilities	**11,088**	11,672
Lease liabilities	**10,375**	10,809

35 ORDINARY SHARES

	30 June 2025	
	Number of shares (millions)	Nominal value
Domestic listed A shares, par value RMB1.00 per share	**319,244**	**319,244**
Overseas listed H shares, par value RMB1.00 per share	**30,739**	**30,739**
Total	**349,983**	**349,983**

	31 December 2024	
	Number of shares (millions)	Nominal value
Domestic listed A shares, par value RMB1.00 per share	319,244	319,244
Overseas listed H shares, par value RMB1.00 per share	30,739	30,739
Total	349,983	349,983

(1) A shares refer to the ordinary shares listed in Chinese mainland. They are offered and traded in RMB. H shares refer to the ordinary shares listed in Hong Kong SAR. Their par value is denominated in RMB when they were initially offered and are currently traded in HKD.

(2) As at 30 June 2025 and 31 December 2024, the Bank's A shares and H shares were not subject to lock-up restriction.

36 OTHER EQUITY INSTRUMENTS

(1) Preference shares

Preference shares	Notes	Dividend rate	Issued price (RMB yuan)	Issued number of shares (millions)	Issued nominal value (millions)	Maturity date	Conversion
First tranche	(a)	6.00% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	No conversion during the period
Second tranche	(b)	5.50% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	No conversion during the period
Total					80,000		

The Bank was authorized to issue no more than 800 million preference shares of RMB100 each, pursuant to the approval by its ordinary equity holders in the general meeting and relevant regulatory authorities.

(a) The first tranche of 400 million preference shares was issued at par in November 2014. The first tranche of preference shares bears a dividend rate of 6.00% per annum; dividends are non-cumulative and where payable, are paid annually, for the first five years from issuance. The dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.29%. During the second dividend period beginning from 5 November 2019, the base rate and fixed premium are 3.03% and 2.29%, respectively, and the coupon rate is 5.32%. The dividend is paid annually. During the third dividend period beginning from 5 November 2024, the base rate and fixed premium is 1.83% and 2.29%, respectively, and the coupon rate is 4.12%. The dividend is paid annually.

(b) The second tranche of 400 million preference shares was issued at par in March 2015. The second tranche of preference shares bears a dividend rate of 5.50% per annum; dividends are non-cumulative and where payable, are paid annually, for the first five years from issuance. The dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.24%. During the second dividend period beginning from 11 March 2020, the base rate and fixed premium is 2.60% and 2.24%, respectively, and the coupon rate is 4.84%. The dividend is paid annually. During the third dividend period beginning from 11 March 2025, the base rate and fixed premium is 1.53% and 2.24%, respectively, and the coupon rate is 3.77%. The dividend is paid annually.

36 OTHER EQUITY INSTRUMENTS (Continued)

(1) Preference shares (Continued)

As authorized by the ordinary equity holders in the annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. The Bank shall not distribute any dividends to its ordinary equity holders before it declares such dividends to preference shareholders for the relevant period. The distribution of preference shares dividend is at the Bank's discretion and is non-cumulative. Preference shareholders are not entitled to participate in the distribution of retained earnings except for the dividends stated above.

The Bank has a redemption option when specified conditions as stipulated in the offering documents are met, subject to regulatory approval, whereas preference shareholders have no right to request the Bank to redeem the preference shares.

Upon liquidation, the claims of preference shareholders have priority over ordinary equity holders on the residual assets of the Bank, but are subordinated to those of depositors, general creditors, Tier-two Capital Instruments holders or any other subordinated debt holders with equivalent rights.

Upon occurrence of the triggering events as stipulated in paragraph 2(1) of the Guidance of the NFRA on Amendments to Commercial Banks' Innovation on Capital Instruments (NFRA No. 42 [2019]) and subject to regulatory approval, the first tranche of preference shares and the second tranche of preference shares shall be mandatorily converted into ordinary A shares of the Bank at the conversion price agreed, partially or entirely. The initial conversion price of the preference shares issued by the Bank was RMB2.43 per share. In June 2018, the Bank has issued 25,189 million ordinary A shares to specific investors. The conversion price of the preference shares will be adjusted where certain events occur including bonus issues, rights issue, capitalization of reserves and new issuances of ordinary shares, subject to terms and formulas provided in the offering documents, to maintain the relative interests between preference shareholders and ordinary equity holders. Upon completion of the private placement of ordinary shares by the Bank, the mandatory conversion price of the first tranche of preference shares and the second tranche of preference shares issued by the Bank will be adjusted from RMB2.43 per share to RMB2.46 per share.

These preference shares are classified as equity instruments, and presented as equity in the condensed consolidated interim statement of financial position, and are qualified as Additional Tier-one Capital Instruments in accordance with the NFRA requirements.

The balance of the preference shares issued by the Bank, net of direct issuance expenses, was RMB79,899 million as at 30 June 2025 (31 December 2024: RMB79,899 million).

36 OTHER EQUITY INSTRUMENTS (Continued)

(2) Perpetual bonds

Perpetual bonds	Notes	Interest rate	Issued price (RMB yuan)	Issued number of shares (millions)	Issued nominal value (millions)	Maturity date	Conversion	31 December 2024 (millions)	30 June 2025 (millions)
Undated additional tier 1 capital bonds in 2020-first tranche	(a)(i)	3.48% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	850	85,000	No maturity date	Not Applicable	85,000	–
Undated additional tier 1 capital bonds in 2020-second tranche	(a)(ii)	4.50% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	350	35,000	No maturity date	Not Applicable	35,000	35,000
Undated additional tier 1 capital bonds in 2021-first tranche	(b)(i)	3.76% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	Not Applicable	40,000	40,000
Undated additional tier 1 capital bonds in 2022-first tranche	(b)(ii)	3.49% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	500	50,000	No maturity date	Not Applicable	50,000	50,000
Undated additional tier 1 capital bonds in 2022-second tranche	(b)(iii)	3.17% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	300	30,000	No maturity date	Not Applicable	30,000	30,000
Undated additional tier 1 capital bonds in 2023-first tranche	(c)(i)	3.21% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	Not Applicable	40,000	40,000
Undated additional tier 1 capital bonds in 2024-first tranche	(c)(ii)	2.73% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	Not Applicable	40,000	40,000
Undated additional tier 1 capital bonds in 2024-second tranche	(c)(iii)	2.46% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	600	60,000	No maturity date	Not Applicable	60,000	60,000
Undated additional tier 1 capital bonds in 2024-third tranche	(c)(iv)	2.29% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	Not Applicable	40,000	40,000
Undated additional tier 1 capital bonds in 2025-first tranche	(d)(i)	2.00% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	500	50,000	No maturity date	Not Applicable	–	50,000
Total								420,000	385,000

Perpetual bonds, as shown in the condensed consolidated interim statement of financial position, are undated additional tier 1 capital bonds issued by the Bank.

36 OTHER EQUITY INSTRUMENTS (Continued)

(2) Perpetual bonds (Continued)

(a) With the approval from the annual general meeting and regulatory authorities in 2020, the Bank was granted to issue undated additional tier 1 capital bonds of an amount no more than RMB120 billion.

(i) The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB85 billion in the national interbank bond market on 8 May 2020, and the issuance was completed on 12 May 2020. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.48%.The Bank has exercised the redemption right and redeemed the undated additional tier 1 capital bonds at face value on 12 May 2025.

(ii) The Bank issued undated additional tier 1 capital bonds (second tranche) with the amount of RMB35 billion in the national interbank bond market on 20 August 2020, and the issuance was completed on 24 August 2020. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 4.50%.

(b) With the approval from the annual general meeting and regulatory authorities in 2021, the Bank was granted to issue undated additional tier 1 capital bonds of an amount no more than RMB120 billion.

(i) The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB40 billion in the national interbank bond market on 12 November 2021, and the issuance was completed on 16 November 2021. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.76%.

(ii) The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB50 billion in the national interbank bond market on 18 February 2022, and the issuance was completed on 22 February 2022. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.49%.

(iii) The Bank issued undated additional tier 1 capital bonds (second tranche) with the amount of RMB30 billion in the national interbank bond market on 1 September 2022, and the issuance was completed on 5 September 2022. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.17%.

36 OTHER EQUITY INSTRUMENTS (Continued)

(2) Perpetual bonds (Continued)

(c) With the approval from the annual general meeting and regulatory authorities in 2023, the Bank was granted to issue undated additional tier 1 capital bonds of an amount no more than RMB200 billion.

(i) The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB40 billion in the national interbank bond market on 24 August 2023, and the issuance was completed on 28 August 2023. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.21%.

(ii) The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB40 billion in the national interbank bond market on 13 March 2024, and the issuance was completed on 15 March 2024. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 2.73%.

(iii) The Bank issued undated additional tier 1 capital bonds (second tranche) with the amount of RMB60 billion in the national interbank bond market on 3 June 2024, and the issuance was completed on 5 June 2024. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 2.46%.

(iv) The Bank issued undated additional tier 1 capital bonds (third tranche) with the amount of RMB40 billion in the national interbank bond market on 26 November 2024, and the issuance was completed on 28 November 2024. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 2.29%.

(d) With the approval from the general meeting and regulatory authorities in 2025, the Bank was granted to issue capital instruments and total loss-absorbing capacity non-capital bonds of an amount no more than RMB520 billion or equivalent in foreign currencies.

(i) The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB50 billion in the national interbank bond market on 27 May 2025, and the issuance was completed on 29 May 2025. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 2.00%.

36 OTHER EQUITY INSTRUMENTS (Continued)

(2) Perpetual bonds (Continued)

The duration of the Perpetual bonds is the same as the continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior recognition of the NFRA, the Bank may redeem the Bonds in whole or in part on each distribution payment date from the fifth anniversary since the issuance date of the Bonds. Upon the occurrence of a trigger event for write-downs, with the approval of the NFRA and without the need for the consent of the holders of the Bonds, the Bank has the right to write down all or part of the aggregate amount of the Bonds then issued and outstanding. The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated indebtedness that ranks senior to the Bonds; and shall rank in priority to all classes of shares held by shareholders and will 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 distributions on the Perpetual bonds are non-cumulative. The Bank shall have the right to cancel distributions on the Bonds in whole or in part and any such cancellation shall not constitute an event of default. The Bank may at its discretion use the proceeds from the cancelled distribution to meet other obligations as they fall due. But the Bank shall not make any distribution to ordinary shareholders until its decision to resume the distribution payments in whole to the holders of the Bonds.

The net proceeds from the issuance of the Perpetual bonds were used to replenish the Bank's additional tier 1 capital.

The balance of the undated additional tier 1 capital bonds issued by the Bank, net of direct issuance expenses, was RMB384,985 million as at 30 June 2025 (31 December 2024: RMB419,977 million).

37 CAPITAL RESERVE

The capital reserve mainly represents the premium related to ordinary shares publicly issued by the Bank in 2010 and private placement of ordinary shares to the specific shareholders in 2018. Share premium was recorded in the capital reserve after deducting direct issuance expenses, which consisted primarily of underwriting fees and professional fees.

38 OTHER COMPREHENSIVE INCOME

	Six months ended 30 June 2025		
	Gross carrying amount	**Tax effect**	**Net effect**
31 December 2024	**107,903**	**(26,087)**	**81,816**
Fair value changes on debt instruments at fair value through other comprehensive income:			
— Amount of losses recognized directly in other comprehensive income	**(5,641)**	**1,436**	**(4,205)**
— Amount removed from other comprehensive income and recognized in profit or loss	**(1,840)**	**460**	**(1,380)**
Loss allowance on debt instruments at fair value through other comprehensive income	**5,538**	**(1,354)**	**4,184**
Fair value changes on other equity investments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	**4,409**	**(1,102)**	**3,307**
— Transferred to retained earnings	**(2)**	**–**	**(2)**
Foreign currency translation reserve	**113**	**–**	**113**
Others	**(1,471)**	**368**	**(1,103)**
30 June 2025	**109,009**	**(26,279)**	**82,730**

	Year ended 31 December 2024		
	Gross carrying amount	Tax effect	Net effect
31 December 2023	54,514	(13,008)	41,506
Fair value changes on debt instruments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	55,432	(13,765)	41,667
— Amount removed from other comprehensive income and recognized in profit or loss	(2,841)	710	(2,131)
Loss allowance on debt instruments at fair value through other comprehensive income	6,036	(1,452)	4,584
Fair value changes on other equity investments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	641	(159)	482
— Transferred to retained earnings	(5)	–	(5)
Foreign currency translation reserve	469	–	469
Others	(6,343)	1,587	(4,756)
31 December 2024	107,903	(26,087)	81,816

39 SURPLUS RESERVE

Under PRC Law, the Bank is required to transfer 10% of its net profit determined under the PRC GAAP to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of this reserve has reached 50% of share capital. In addition, certain subsidiaries and overseas branches also appropriated surplus reserves in accordance with local requirements.

Subject to the approval of the ordinary equity holders, the statutory surplus reserves can be used for replenishing accumulated losses or increasing the Bank's ordinary share capital. The statutory surplus reserves amount used to increase the ordinary share capital is limited to a level where the balance of the statutory surplus reserves after such capitalization is not less than 25% of the ordinary share capital.

40 GENERAL RESERVE

Pursuant to Caijin [2012] No. 20 "Requirements on Impairment Allowance for Financial Institutions" (the "Requirement") issued by the MOF, effective on 1 July 2012, in addition to impairment allowance, the Bank establishes a general reserve within ordinary equity holders' equity through the appropriation of profit to address unidentified potential losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement. The general reserve includes regulatory reserve appropriated by the Bank's overseas branches pursuant to local regulatory requirements.

Pursuant to relevant PRC domestic regulatory requirements, some domestic subsidiaries of the Bank are required to appropriate certain amounts of their net profit as general reserves.

For the six months ended 30 June 2025, the Group transferred RMB37,201 million (six months ended 30 June 2024: RMB76,258 million) to the general reserve pursuant to the regulatory requirements in the PRC and overseas jurisdictions. Of this amount, RMB37,268 million (six months ended 30 June 2024: RMB75,629 million) related to the appropriation proposed for the year ended 31 December 2024 which was approved at the annual general meeting held on 27 June 2025.

41 CASH AND CASH EQUIVALENTS

For the purpose of the condensed consolidated interim statement of cash flows, cash and cash equivalents include the following balances with an original maturity of three months or less:

	30 June 2025	30 June 2024
Cash	**62,014**	63,797
Balance with central banks	**874,967**	592,995
Deposits with banks and other financial institutions	**208,505**	89,117
Placements with and loans to banks and other financial institutions	**109,007**	101,846
Financial assets held under resale agreements	**1,525,815**	730,570
Total	**2,780,308**	1,578,325

42 OPERATING SEGMENTS

Operating segments are identified on the basis of internal organizational structure, management requirements and internal management reporting rules of the Group that are regularly reviewed by the Board and relevant management committees, which constitute the chief operating decision makers, for the purposes of allocating resources to segments and assessing their performance. The Group's chief operating decision makers review three different sets of financial information based on (i) geographical locations, (ii) business activities and (iii) County Area and Urban Area banking business.

The measurement of segment assets and liabilities, as well as segment revenue, expense and results are based on the Group's accounting policies. There is no difference between the accounting policies used in the preparation of the interim financial information and those used in preparing the operating segment information.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment.

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Geographical operating segments

The details of the geographical operating segments are as follows:

Head Office	
Yangtze River Delta:	Shanghai, Jiangsu, Zhejiang, Ningbo
Pearl River Delta:	Guangdong, Shenzhen, Fujian, Xiamen
Bohai Rim:	Beijing, Tianjin, Hebei, Shandong, Qingdao
Central China:	Shanxi, Hubei, Henan, Hunan, Jiangxi, Hainan, Anhui
Western China:	Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang (including Xinjiang Production and Construction Corps Branch), Tibet, Inner Mongolia, Guangxi
Northeastern China:	Liaoning, Heilongjiang, Jilin, Dalian
Overseas and Others:	Subsidiaries and overseas branches

42 OPERATING SEGMENTS (Continued)

Geographical operating segments (Continued)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
For the six months ended 30 June 2025										
External interest income	208,630	93,934	56,825	49,400	64,789	85,671	10,661	28,095	–	598,005
External interest expense	(60,116)	(61,186)	(38,621)	(43,199)	(39,450)	(39,839)	(12,785)	(20,336)	–	(315,532)
Inter-segment net interest (expense)/income	(206,172)	47,653	32,784	46,134	36,030	29,161	14,647	(237)	–	–
Net interest income	(57,658)	80,401	50,988	52,335	61,369	74,993	12,523	7,522	–	282,473
Fee and commission income	26,219	9,304	5,044	4,580	5,473	5,744	740	993	–	58,097
Fee and commission expense	(2,536)	(918)	(708)	(701)	(1,019)	(917)	(226)	369	–	(6,656)
Net fee and commission income	23,683	8,386	4,336	3,879	4,454	4,827	514	1,362	–	51,441
Net trading gain/(loss)	12,424	98	43	37	151	(42)	20	(5,173)	–	7,558
Net gain/(loss) on financial investments	3,216	(9)	(81)	1,524	(17)	(43)	(32)	1,311	–	5,869
Net gain on derecognition of financial assets measured at amortized cost	15,088	–	–	–	–	–	–	–	–	15,088
Other operating (expense)/income	(5,271)	256	266	169	107	601	65	11,171	–	7,364
Operating income	(8,518)	89,132	55,552	57,944	66,064	80,336	13,090	16,193	–	369,793
Operating expenses	(8,105)	(18,728)	(13,314)	(14,458)	(19,173)	(25,763)	(6,445)	(5,739)	–	(111,725)
Credit impairment losses	(5,638)	(15,841)	(22,234)	(6,514)	(16,148)	(28,215)	(2,908)	(457)	–	(97,955)
Impairment losses on other assets	–	–	–	–	–	–	(14)	–	–	(14)
Operating (loss)/profit	(22,261)	54,563	20,004	36,972	30,743	26,358	3,723	9,997	–	160,099
Share of results of associates and joint ventures	121	–	–	–	–	–	–	320	–	441
(Loss)/profit before tax	(22,140)	54,563	20,004	36,972	30,743	26,358	3,723	10,317	–	160,540
Income tax expense										(20,597)
Profit for the period										139,943
Depreciation and amortization included in operating expenses	2,300	1,626	1,187	1,631	1,778	2,222	558	97	–	11,399
Capital expenditure	1,313	384	782	830	413	427	28	1,863	–	6,040
As at 30 June 2025										
Segment assets	11,089,430	9,348,951	6,020,273	7,665,827	6,774,815	7,990,857	1,998,890	1,478,092	(5,667,193)	46,699,942
Including: Investment in associates and joint ventures	6,404	–	–	–	–	–	–	9,193	–	15,597
Unallocated assets										155,936
Total assets										46,855,878
Including: Non-current assets (1)	26,282	29,478	17,584	27,484	26,066	41,793	8,879	34,125	–	211,691
Segment liabilities	(7,737,057)	(9,431,842)	(6,091,761)	(7,712,219)	(6,842,698)	(8,107,448)	(2,013,830)	(1,436,055)	5,667,168	(43,705,742)
Unallocated liabilities										(895)
Total liabilities										(43,706,637)
Loan commitments and financial guarantee contracts	134,362	763,303	580,115	464,519	453,861	375,311	97,835	124,463	–	2,993,769

(1) Non-current assets include property and equipment, investment properties, right-of-use assets, land use rights, intangible assets and other long-term assets.

42 OPERATING SEGMENTS (Continued)

Geographical operating segments (Continued)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
For the six months ended 30 June 2024										
External interest income	219,690	103,730	65,790	55,230	68,889	92,121	11,682	26,916	–	644,048
External interest expense	(55,998)	(73,338)	(45,868)	(50,804)	(44,085)	(45,948)	(13,378)	(23,781)	–	(353,200)
Inter-segment net interest (expense)/income	(229,193)	53,359	35,354	50,509	38,985	34,983	15,159	844	–	–
Net interest (expense)/income	(65,501)	83,751	55,276	54,935	63,789	81,156	13,463	3,979	–	290,848
Fee and commission income	21,620	9,093	5,828	4,670	5,501	5,614	782	575	–	53,683
Fee and commission expense	(2,359)	(1,023)	(823)	(731)	(1,044)	(1,051)	(214)	298	–	(6,947)
Net fee and commission income	19,261	8,070	5,005	3,939	4,457	4,563	568	873	–	46,736
Net trading gain	11,572	105	77	46	63	65	23	3,807	–	15,758
Net gain/(loss) on financial investments	7,264	40	(82)	128	79	(694)	(25)	4,344	–	11,054
Net gain on derecognition of financial assets measured at amortized cost	4,263	–	–	–	–	–	–	37	–	4,300
Other operating (expense)/income	(4,396)	502	374	301	228	675	64	696	–	(1,556)
Operating income	(27,537)	92,468	60,650	59,349	68,616	85,765	14,093	13,736	–	367,140
Operating expenses	(9,026)	(19,315)	(12,841)	(13,771)	(18,139)	(24,818)	(6,179)	(4,590)	–	(108,679)
Credit impairment (losses)/reversal	(16,537)	(17,743)	(15,419)	(11,174)	(14,656)	(24,729)	(1,843)	1,103	–	(100,998)
Impairment losses on other assets	–	–	–	–	–	(19)	(14)	–	–	(33)
Operating (loss)/profit	(53,100)	55,410	32,390	34,404	35,821	36,199	6,057	10,249	–	157,430
Share of results of associates and joint ventures	135	–	–	–	–	–	–	(94)	–	41
(Loss)/profit before tax	(52,965)	55,410	32,390	34,404	35,821	36,199	6,057	10,155	–	157,471
Income tax expense										(20,977)
Profit for the period										136,494
Depreciation and amortization included in operating expenses	1,908	1,646	1,192	1,690	1,803	2,199	592	122	–	11,152
Capital expenditure	2,818	347	320	416	486	1,120	94	443	–	6,044
As at 31 December 2024										
Segment assets	8,977,880	8,768,577	6,026,055	7,290,704	6,359,444	7,760,397	1,923,391	1,494,791	(5,511,113)	43,090,126
Including: Investment in associates and joint ventures	4,323	–	–	–	–	–	–	6,009	–	10,332
Unallocated assets										148,009
Total assets										43,238,135
Including: Non-current assets (1)	25,049	29,998	18,351	28,481	27,376	42,956	9,368	30,290	–	211,869
Segment liabilities	(5,858,397)	(8,787,161)	(6,074,550)	(7,314,968)	(6,405,138)	(7,847,114)	(1,938,570)	(1,419,980)	5,511,086	(40,134,792)
Unallocated liabilities										(6,070)
Total liabilities										(40,140,862)
Loan commitments and financial guarantee contracts	96,771	704,451	539,770	509,058	420,872	372,972	98,763	131,694	–	2,874,351

(1) Non-current assets include property and equipment, investment properties, right-of-use assets, land use rights, intangible assets and other long-term assets.

42 OPERATING SEGMENTS (Continued)

Business operating segments

The details of the business operating segments are as follows:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The range of products and services includes corporate loans and advances, trade finance, corporate deposit, corporate wealth management services and other types of corporate intermediary services.

Personal banking

The personal banking segment provides financial products and services to individual customers. The range of products and services includes personal loans, personal deposit, card business, personal wealth management services and other types of personal intermediary services.

Treasury operations

The Group's treasury operations conduct money market and repurchase transactions, debt instrument investments, precious metal transactions and derivative transactions for its own accounts or on behalf of customers.

Others

Others comprise components of the Group that are not attributable to any of the above segments, along with certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis.

42 OPERATING SEGMENTS (Continued)

Business operating segments (Continued)

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the six months ended 30 June 2025					
External interest income	231,808	146,227	215,232	4,738	598,005
External interest expense	(89,297)	(133,903)	(89,731)	(2,601)	(315,532)
Inter-segment net interest (expense)/income	(27,434)	150,414	(122,980)	–	–
Net interest income	115,077	162,738	2,521	2,137	282,473
Fee and commission income	25,632	30,353	447	1,665	58,097
Fee and commission expense	(3,118)	(3,262)	(24)	(252)	(6,656)
Net fee and commission income	22,514	27,091	423	1,413	51,441
Net trading gain	–	–	7,387	171	7,558
Net (loss)/gain on financial investments	(328)	–	2,257	3,940	5,869
Net gain on derecognition of financial assets measured at amortized cost	–	–	15,088	–	15,088
Other operating income	797	452	1,727	4,388	7,364
Operating income	138,060	190,281	29,403	12,049	369,793
Operating expenses	(33,562)	(56,762)	(15,079)	(6,322)	(111,725)
Credit impairment losses	(27,529)	(65,014)	(5,382)	(30)	(97,955)
Impairment losses on other assets	(14)	–	–	–	(14)
Operating profit	76,955	68,505	8,942	5,697	160,099
Share of results of associates and joint ventures	–	–	–	441	441
Profit before tax	76,955	68,505	8,942	6,138	160,540
Income tax expense					(20,597)
Profit for the period					139,943
Depreciation and amortization included in operating expenses	2,964	5,981	2,299	155	11,399
Capital expenditure	878	2,252	1,047	1,863	6,040
As at 30 June 2025					
Segment assets	16,764,464	9,206,032	20,171,813	557,633	46,699,942
Including: Investment in associates and joint ventures	–	–	–	15,597	15,597
Unallocated assets					155,936
Total assets					46,855,878
Segment liabilities	(11,464,693)	(20,648,519)	(11,097,491)	(495,039)	(43,705,742)
Unallocated liabilities					(895)
Total liabilities					(43,706,637)
Loan commitments and financial guarantee contracts	2,043,847	949,922	–	–	2,993,769

42 OPERATING SEGMENTS (Continued)

Business operating segments (Continued)

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the six months ended 30 June 2024					
External interest income	250,554	163,007	225,945	4,542	644,048
External interest expense	(110,220)	(140,772)	(99,324)	(2,884)	(353,200)
Inter-segment net interest (expense)/income	(10,221)	158,409	(148,188)	–	–
Net interest income	130,113	180,644	(21,567)	1,658	290,848
Fee and commission income	25,646	25,927	550	1,560	53,683
Fee and commission expense	(3,389)	(3,234)	(22)	(302)	(6,947)
Net fee and commission income	22,257	22,693	528	1,258	46,736
Net trading gain	–	–	15,354	404	15,758
Net (loss)/gain on financial investments	(792)	(9)	7,597	4,258	11,054
Net gain on derecognition of financial assets measured at amortized cost	–	–	4,285	15	4,300
Other operating income/(expense)	545	441	(6,012)	3,470	(1,556)
Operating income	152,123	203,769	185	11,063	367,140
Operating expenses	(35,366)	(56,634)	(11,266)	(5,413)	(108,679)
Credit impairment losses	(32,984)	(57,484)	(10,333)	(197)	(100,998)
Impairment losses on other assets	(33)	–	–	–	(33)
Operating profit	83,740	89,651	(21,414)	5,453	157,430
Share of results of associates and joint ventures	–	–	–	41	41
Profit before tax	83,740	89,651	(21,414)	5,494	157,471
Income tax expense					(20,977)
Profit for the period					136,494
Depreciation and amortization included in operating expenses	2,979	5,920	2,085	168	11,152
Capital expenditure	1,263	3,062	1,276	443	6,044
As at 31 December 2024					
Segment assets	15,499,878	8,739,885	18,317,472	532,891	43,090,126
Including: Investment in associates and joint ventures	–	–	–	10,332	10,332
Unallocated assets					148,009
Total assets					43,238,135
Segment liabilities	(11,344,305)	(19,238,312)	(9,081,221)	(470,954)	(40,134,792)
Unallocated liabilities					(6,070)
Total liabilities					(40,140,862)
Loan commitments and financial guarantee contracts	1,972,767	901,584	–	–	2,874,351

42 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments

The Group's operating segments organized by County Area and Urban Area banking business are set out as follows:

County Area banking business

The Group's County Area banking business provides a broad range of financial products and services to customers in designated County Area, through its operating branches in the counties or county-level cities throughout the PRC. The products and services mainly comprise loans, deposits, bank cards, and other types of intermediary services.

Urban Area banking business

The Group's Urban Area banking business comprises all banking activities outside of the County Area banking business, overseas branches and subsidiaries.

42 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments (Continued)

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
For the six months ended 30 June 2025				
External interest income	157,536	440,469	–	598,005
External interest expense	(95,451)	(220,081)	–	(315,532)
Inter-segment net interest income/(expense)	98,767	(98,767)	–	–
Net interest income	160,852	121,621	–	282,473
Fee and commission income	22,380	35,717	–	58,097
Fee and commission expense	(2,830)	(3,826)	–	(6,656)
Net fee and commission income	19,550	31,891	–	51,441
Net trading gain	304	7,254	–	7,558
Net gain on financial investments	70	5,799	–	5,869
Net gain on derecognition of financial assets measured at amortized cost	–	15,088	–	15,088
Other operating income	2,232	5,132	–	7,364
Operating income	183,008	186,785	–	369,793
Operating expenses	(50,427)	(61,298)	–	(111,725)
Credit impairment losses	(41,450)	(56,505)	–	(97,955)
Impairment losses on other assets	(13)	(1)	–	(14)
Operating profit	91,118	68,981	–	160,099
Share of results of associates and joint ventures	–	441	–	441
Profit before tax	91,118	69,422	–	160,540
Income tax expense				(20,597)
Profit for the period				139,943
Depreciation and amortization included in operating expenses	4,763	6,636	–	11,399
Capital expenditure	580	5,460	–	6,040
As at 30 June 2025				
Segment assets	15,686,193	31,186,992	(173,243)	46,699,942
Including: Investment in associates and joint ventures	–	15,597	–	15,597
Unallocated assets				155,936
Total assets				46,855,878
Segment liabilities	(14,597,477)	(29,281,508)	173,243	(43,705,742)
Unallocated liabilities				(895)
Total liabilities				(43,706,637)
Loan commitments and financial guarantee contracts	939,913	2,053,856	–	2,993,769

42 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments (Continued)

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
For the six months ended 30 June 2024				
External interest income	166,802	477,246	–	644,048
External interest expense	(102,569)	(250,631)	–	(353,200)
Inter-segment net interest income/(expense)	96,003	(96,003)	–	–
Net interest income	160,236	130,612	–	290,848
Fee and commission income	21,982	31,701	–	53,683
Fee and commission expense	(2,935)	(4,012)	–	(6,947)
Net fee and commission income	19,047	27,689	–	46,736
Net trading gain	427	15,331	–	15,758
Net gain on financial investments	159	10,895	–	11,054
Net gain on derecognition of financial assets measured at amortized cost	–	4,300	–	4,300
Other operating income/(expense)	3,043	(4,599)	–	(1,556)
Operating income	182,912	184,228	–	367,140
Operating expenses	(49,530)	(59,149)	–	(108,679)
Credit impairment losses	(35,929)	(65,069)	–	(100,998)
Impairment losses on other assets	(27)	(6)	–	(33)
Operating profit	97,426	60,004	–	157,430
Share of results of associates and joint ventures	–	41	–	41
Profit before tax	97,426	60,045	–	157,471
Income tax expense				(20,977)
Profit for the period				136,494
Depreciation and amortization included in operating expenses	4,594	6,558	–	11,152
Capital expenditure	428	5,616	–	6,044
As at 31 December 2024				
Segment assets	14,756,722	28,866,082	(532,678)	43,090,126
Including: Investment in associates and joint ventures	–	10,332	–	10,332
Unallocated assets				148,009
Total assets				43,238,135
Segment liabilities	(13,735,194)	(26,932,276)	532,678	(40,134,792)
Unallocated liabilities				(6,070)
Total liabilities				(40,140,862)
Loan commitments and financial guarantee contracts	781,291	2,093,060	–	2,874,351

43 RELATED PARTY TRANSACTIONS

(1) The Group and the MOF

As at 30 June 2025, the MOF directly owned 35.29% (31 December 2024: 35.29%) of the ordinary shares of the Bank.

The MOF is a Chinese government ministry, primarily responsible for managing state fiscal revenue and expenditures, and establishing and enforcing taxation policies. It reports to the Chinese State Council.

The Group enters into transactions with the MOF in its ordinary course of business under normal commercial terms. Details of the major balances and transactions are as follows:

	30 June 2025		31 December 2024	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Assets				
Treasury bonds and special government bond	**3,673,692**	**25.44%**	3,023,971	21.84%
Receivable from the MOF	**351,029**	**2.43%**	348,136	2.51%
Liabilities				
Due to customers	**4,245**	**0.01%**	3,414	0.01%
Other liabilities				
– Amount payable to the MOF	**482**	**0.09%**	266	0.05%

	Six months ended 30 June			
	2025		2024	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**39,514**	**6.61%**	32,051	4.98%
Interest expense	**(56)**	**0.02%**	(34)	0.01%
Fee and commission income	**957**	**1.65%**	707	1.32%
Net trading gain	**37**	**0.49%**	76	0.48%

Interest rate ranges for transactions with the MOF during the period are as follows:

	Six months ended 30 June	
	2025 %	2024 %
Treasury bonds and receivable from the MOF	**0.00-9.00**	0.00-9.00
Due to customers	**0.0001-3.075**	0.0001-3.96

The Group's redemption commitment for treasury bonds underwriting is disclosed in Note 45 Contingent liabilities and commitments.

43 RELATED PARTY TRANSACTIONS (Continued)

(2) The Group and Huijin

Central Huijin Investment Ltd. ("Huijin") is a wholly state-owned company through state investment in accordance with the Company Law of the PRC, which is incorporated with authorized capital of RMB828,209 million in Beijing, PRC. The State Council has authorized Huijin to make equity investments in major state-owned financial institutions to preserve and increase the value of these state-owned financial assets. Huijin can exercise rights and shall assume obligations on major state-owned financial institutions as an investor on behalf of the state to the extent of its capital contribution. Huijin does not engage in other commercial activities nor intervene in the daily business operations of major state-owned financial institutions which are controlled by Huijin.

As at 30 June 2025, Huijin directly owned 40.14% (31 December 2024: 40.14%) of the ordinary shares of the Bank.

Transactions with Huijin

The Group enters into transactions with Huijin in its ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

	30 June 2025		31 December 2024	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Assets				
Loans and advances to customers	**57,597**	**0.22%**	61,634	0.26%
Financial investments	**54,843**	**0.38%**	51,922	0.37%
Liabilities				
Due to customers	**40,285**	**0.13%**	34,257	0.11%

	Six months ended 30 June			
	2025		2024	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**1,361**	**0.23%**	1,686	0.26%
Interest expense	**(229)**	**0.07%**	(126)	0.04%
Net trading gain	**11**	**0.15%**	0	0.00%

Interest rate ranges for transactions with Huijin during the period are as follows:

	Six months ended 30 June	
	2025 %	2024 %
Loans and advances to customers	**2.25-2.35**	2.70
Financial investments	**1.76-4.20**	2.08-4.20
Due to customers	**0.35-1.60**	0.20-1.90

43 RELATED PARTY TRANSACTIONS (Continued)

(2) The Group and Huijin (Continued)

Transactions with companies under Huijin

Huijin has equity interests in certain other banks and financial institutions under the direction of the Central Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

	30 June 2025		31 December 2024	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Assets				
Deposits with banks and other financial institutions	**212,551**	**51.73%**	265,209	46.37%
Placements with and loans to banks and other financial institutions	**195,360**	**41.35%**	106,782	20.16%
Derivative financial assets	**3,716**	**8.71%**	10,604	16.09%
Financial assets held under resale agreements	**195,633**	**12.59%**	119,950	8.75%
Loans and advances to customers	**50,655**	**0.20%**	36,024	0.15%
Financial investments	**932,672**	**6.46%**	1,171,357	8.46%
Liabilities				
Deposits from banks and other financial institutions	**166,379**	**2.93%**	138,487	2.97%
Placements from banks and other financial institutions	**118,492**	**32.33%**	114,657	31.50%
Derivative financial liabilities	**4,571**	**8.63%**	9,277	15.95%
Financial assets sold under repurchase agreements	**18,470**	**1.73%**	27,533	4.47%
Due to customers	**4,927**	**0.02%**	910	0.00%
Equity				
Other equity instruments	**–**	**–**	1,913	0.38%
Off-balance sheet items				
Letters of guarantee and guarantees	**2,040**	**0.48%**	379	0.09%

	Six months ended 30 June			
	2025		2024	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**9,697**	**1.62%**	10,308	1.60%
Interest expense	**(2,504)**	**0.79%**	(1,884)	0.53%
Net trading (loss)/gain	**(292)**	**N/A**	4,060	25.76%
Net gain on financial investments	**2,127**	**36.24%**	2,195	19.86%

43 RELATED PARTY TRANSACTIONS (Continued)

(2) The Group and Huijin (Continued)

***Transactions with companies under Huijin** (Continued)*

Interest rate ranges for transactions with companies under Huijin during the period are as follows:

	Six months ended 30 June	
	2025	2024
	%	%
Deposits with banks and other financial institutions	**-0.45-3.25**	-0.45-3.25
Placements with and loans to banks and other financial institutions	**0.56-5.73**	0.00-6.52
Derivative financial assets	**-0.002-5.20**	-0.43-3.69
Financial assets held under resale agreements	**1.40-2.35**	1.98-2.60
Loans and advances to customers	**0.00-5.00**	0.00-5.10
Financial investments	**0.00-6.15**	0.00-6.01
Deposits from banks and other financial institutions	**0.00-5.30**	0.01-5.30
Placements from banks and other financial institutions	**0.23-5.72**	0.18-6.09
Derivative financial liabilities	**0.02-5.20**	1.85-3.69
Financial assets sold under repurchase agreements	**1.81-4.45**	2.60
Due to customers	**0.00-3.25**	0.09-3.25
Other equity instruments	**–**	4.84

(3) The Group and National Council for Social Security Fund of the People's Republic of China

As at 30 June 2025, the Bank's shares held by National Council for Social Security Fund of the People's Republic of China (the "SSF") accounted for 6.72% of the Bank's total share capital (31 December 2024: 6.72%). The Group enters into transactions with the SSF in the ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

	30 June 2025		31 December 2024	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Assets				
Financial assets held under resale agreements	**36,028**	**2.32%**	33,960	2.48%
Liabilities				
Due to customers	**149,451**	**0.47%**	161,547	0.53%
Equity				
Other equity instruments	**1,250**	**0.27%**	1,250	0.25%

43 RELATED PARTY TRANSACTIONS (Continued)

(3) The Group and National Council for Social Security Fund of the People's Republic of China (Continued)

	Six months ended 30 June			
	2025		2024	
	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income	5	0.00%	5	0.00%
Interest expense	(2,687)	0.85%	(2,775)	0.79%

Interest rate ranges for transactions with SSF during the period are as follows:

	Six months ended 30 June	
	2025 %	2024 %
Financial assets held under resale agreements	1.50-2.15	2.30-2.55
Due to customers	2.00-4.20	2.85-4.26
Other equity instruments	3.77	4.84

(4) The Group and other government related entities

Other than disclosed above, a significant portion of the Group's banking transactions are entered into with government authorities, agencies, affiliates and other State controlled entities. These transactions are entered into under normal commercial terms and conditions and mainly include provision of credit and guarantee, deposits, foreign exchange transactions, derivative transactions, agency services, underwriting and distribution of bonds issued by government agencies, purchase, sales and redemption of investment securities issued by government agencies.

Management considers that these transactions are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government authorities, agencies, affiliates and other State controlled entities.

43 RELATED PARTY TRANSACTIONS (Continued)

(5) The Bank and its subsidiaries

The Bank had the following balances and transactions with its subsidiaries in its ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

	30 June 2025		31 December 2024	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Assets				
Placements with and loans to banks and other financial institutions	84,051	17.79%	84,334	15.92%
Loans and advances to customers	4,615	0.02%	4,844	0.02%
Financial investments	611	0.00%	1,121	0.01%
Deposits with banks and other financial institutions	76	0.02%	51	0.01%
Other assets	617	0.19%	469	0.15%
Liabilities				
Deposits from banks and other financial institutions	19,231	0.34%	12,256	0.26%
Placements from banks and other financial institutions	820	0.22%	823	0.23%
Due to customers	2,335	0.01%	2,798	0.01%
Other liabilities	461	0.09%	510	0.09%
Off-balance sheet items				
Letters of guarantee and guarantees	–	–	146	0.04%
Non-principal guaranteed wealth management products issued by the Group	105	0.01%	35	0.00%

	Six months ended 30 June			
	2025		2024	
	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income	751	0.13%	786	0.12%
Fee and commission income	1,215	2.09%	1,405	2.62%
Other operating income	93	1.26%	82	N/A
Net gain on financial investments	–	–	9	0.08%
Interest expense	(86)	0.03%	(87)	0.02%
Fee and commission expense	(531)	7.98%	(459)	6.61%
Operating expense	(51)	0.05%	(262)	0.24%

43 RELATED PARTY TRANSACTIONS (Continued)

(5) The Bank and its subsidiaries (Continued)

Interest rate ranges for transactions with its subsidiaries during the period are as follows:

	Six months ended 30 June	
	2025 %	2024 %
Placements with and loans to banks and other financial institutions	**1.62-4.64**	1.62-7.31
Loans and advances to customers	**2.39-3.30**	3.95-4.65
Financial investments	**2.80**	0.00-2.80
Deposits with banks and other financial institutions	**0.02**	0.02
Deposits from banks and other financial institutions	**0.00-4.46**	0.00-3.20
Placements from banks and other financial institutions	**0.00**	0.00
Due to customers	**0.10-4.29**	0.20-6.33

(6) The Group and its associates and joint ventures

The Group had the following balances and transactions with its associates and joint ventures in its ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

	30 June 2025		31 December 2024	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Assets				
Loans and advances to customers	**–**	**–**	985	0.00%
Liabilities				
Deposits from banks and other financial institutions	**16**	**0.00%**	27	0.00%
Due to customers	**3**	**0.00%**	3	0.00%

	Six months ended 30 June			
	2025		2024	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**–**	**–**	9	0.00%
Interest expense	**0**	**0.00%**	0	0.00%

43 RELATED PARTY TRANSACTIONS (Continued)

(6) The Group and its associates and joint ventures (Continued)

Interest rate ranges for transactions with its associates and joint ventures during the period are as follows:

	Six months ended 30 June	
	2025	2024
	%	%
Loans and advances to customers	**N/A**	3.45
Deposits from banks and other financial institutions	**0.00-4.40**	0.0001-4.38
Due to customers	**0.05**	N/A

(7) Key management personnel and related natural persons transactions

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group. Key management personnel of the Group, their close relatives, and entities that are controlled, jointly controlled, or significantly influenced by either the key management personnel of the Group or their close relatives, are considered as related parties of the Group. The Group enters into banking transactions with above related parties in the normal course of business. As at 30 June 2025, the balance of loans and advances to the above related parties is RMB12.00 million (31 December 2024: RMB12.10 million).

The Bank issued loans and credit card business to related natural persons (as defined in the Administrative Measures on Information Disclosure of Listed Companies issued by the China Securities Regulatory Commission (the "CSRC")). As at 30 June 2025, the balance of such loans amounted to RMB12.00 million (31 December 2024: RMB12.26 million).

(8) The Group and the Annuity Scheme

The Group had the following balances and transactions with the Annuity Scheme set up by the Bank apart from the obligation for defined contribution to the Annuity Scheme:

	30 June 2025		31 December 2024	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Liabilities				
Deposits from Annuity Scheme	**973**	**0.00%**	959	0.00%
Equity				
Other equity instruments	**7,500**	**1.61%**	7,500	1.50%

	Six months ended 30 June			
	2025		2024	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest expense	**(14)**	**0.00%**	(48)	0.01%

43 RELATED PARTY TRANSACTIONS (Continued)

(8) The Group and the Annuity Scheme (Continued)

Interest rate ranges for transactions with the Annuity Scheme during the period are as follows:

	Six months ended 30 June	
	2025 %	2024 %
Deposits from Annuity Scheme	**1.90-3.00**	3.00-4.80
Other equity instruments	**3.77-5.32**	4.84-5.32

(9) Proportion of transactions with related parties other than key management personnel

Related party transactions with subsidiaries have been offset in the process of preparing interim financial information. When calculating the proportion of related party transactions, related party transactions do not include related party transactions with subsidiaries.

Transaction balance

	30 June 2025		31 December 2024	
	Related party transactions	**Proportion**	Related party transactions	Proportion
Deposits with banks and other financial institutions	**212,551**	**51.73%**	265,209	46.37%
Placements with and loans to banks and other financial institutions	**195,360**	**41.35%**	106,782	20.16%
Derivative financial assets	**3,716**	**8.71%**	10,604	16.09%
Financial assets held under resale agreements	**231,661**	**14.91%**	153,910	11.22%
Loans and advances to customers	**108,252**	**0.42%**	98,643	0.41%
Financial investments	**5,012,236**	**34.71%**	4,595,386	33.18%
Deposits from banks and other financial institutions	**166,395**	**2.93%**	138,514	2.97%
Placements from banks and other financial institutions	**118,492**	**32.33%**	114,657	31.50%
Derivative financial liabilities	**4,571**	**8.63%**	9,277	15.95%
Financial assets sold under repurchase agreements	**18,470**	**1.73%**	27,533	4.47%
Due to customers	**199,884**	**0.63%**	201,090	0.66%
Other liabilities	**482**	**0.09%**	266	0.05%
Other equity instruments	**8,750**	**1.88%**	10,663	2.13%
Letters of guarantee and guarantees	**2,040**	**0.48%**	379	0.09%

43 RELATED PARTY TRANSACTIONS (Continued)

(9) Proportion of transactions with related parties other than key management personnel (Continued)

Transaction amount

	Six months ended 30 June			
	2025		2024	
	Related party transactions	**Proportion**	Related party transactions	Proportion
Interest income	**50,577**	**8.46%**	44,059	6.84%
Interest expense	**(5,490)**	**1.73%**	(4,867)	1.38%
Net trading (loss)/gain	**(244)**	**N/A**	4,136	26.24%
Net gain on financial investments	**2,127**	**36.24%**	2,195	19.86%
Fee and commission income	**957**	**1.65%**	707	1.32%

44 STRUCTURED ENTITIES

(1) Consolidated structured entities

Structured entities consolidated by the Group include certain asset management plans, funds and securitization products issued, managed and/or invested by the Group. The Group controls these entities because the Group has power over, is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns.

(2) Unconsolidated structured entities

Unconsolidated structured entities sponsored and managed by the Group

Unconsolidated structured entities sponsored and managed by the Group mainly include non principal guaranteed WMPs, which are not subject to any guarantee by the Group of the principal invested or interest to be paid. The WMPs invest in a range of assets, most typically money market instruments, debt securities and non-standardized debt assets. As the manager of these WMPs, the Group, on behalf of the investors in these WMPs, invests the funds raised from investors to the assets as described in the investment plan related to each WMP and distributes profits to investors based on product performance.

As at 30 June 2025, the total assets invested by these non-principal guaranteed WMPs amounted to RMB1,914,776 million (31 December 2024: RMB2,068,000 million) and the corresponding outstanding WMPs issued by the Group amounted to RMB1,760,321 million (31 December 2024: RMB1,985,401 million). For the six months ended 30 June 2025, the Group's interest in these WMPs included net fee and commission income of RMB8,313 million (six months ended 30 June 2024: RMB2,148 million). The Group enters into placements and repo transactions at market interest rates with these WMPs, and the outstanding balance of these transactions represented the Group's maximum exposure to the WMPs. These transactions did not occur for the six months ended 30 June 2025 and for the six months ended 30 June 2024. And there was no outstanding balance for the above-mentioned transactions at 30 June 2025 and 31 December 2024. The Group was under no obligation to enter into these transactions.

44 STRUCTURED ENTITIES (Continued)

(2) Unconsolidated structured entities (Continued)

***Unconsolidated structured entities sponsored and managed by the Group** (Continued)*

There were no contractual liquidity arrangements, guarantees or other commitments between the Group and any third parties that could increase the level of the Group's risk from WMPs disclosed above during the period ended 30 June 2025 and the year ended 31 December 2024. The Group was not required to absorb any losses incurred by WMPs.

In addition, other unconsolidated structured entities sponsored and managed by the Group included funds, asset management plans and asset-backed securities. As at 30 June 2025, the total assets of these products amounted to RMB299,485 million (31 December 2024: RMB295,296 million). For the six months ended 30 June 2025, the Group's interest in these products mainly included net fee and commission income of RMB492 million (six months ended 30 June 2024: RMB500 million).

Other unconsolidated structured entities held by the Group

The Group invests in other unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. These unconsolidated structured entities primarily include asset management plans, WMPs, funds, trust plans, asset-backed securities and debt investment plans, etc. As at 30 June 2025, the related carrying amount of investments and the maximum exposure by the Group to these other unconsolidated structured entities was RMB67,659 million (31 December 2024: RMB77,636 million), included under the financial assets at fair value through profit or loss, debt instrument investments at amortized cost and other debt instrument and other equity investments at fair value through other comprehensive income categories in the condensed consolidated interim statement of financial position. The information on the size of total assets of these unconsolidated structured entities was not readily available in the public domain.

45 CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings and others

The Bank and its subsidiaries are involved as demandants/defendants in certain lawsuits arising from their normal business operations. As at 30 June 2025, provisions of RMB4,828 million were made by the Group (31 December 2024: RMB5,228 million) based on court judgments or advice of legal counsel, and included in Note 34 Other liabilities. Management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

Capital commitments

	30 June 2025	31 December 2024
Contracted but not provided for	**2,880**	4,079

45 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Loan commitments and financial guarantee contracts

	30 June 2025	31 December 2024
Loan commitments		
– With an original maturity of less than 1 year	**18,587**	10,249
– With an original maturity of 1 year or above	**200,812**	233,504
Subtotal	**219,399**	243,753
Bank acceptances	**1,133,638**	1,127,316
Credit card commitments	**933,967**	883,311
Letters of guarantee and guarantees	**426,848**	399,920
Letters of credit	**279,917**	220,051
Total	**2,993,769**	2,874,351

Loan commitments and financial guarantee contracts include credit cards and general credit facility limits granted to customers. These general credit facilities may be drawn in the form of loans or through the issuance of letters of credit, letters of guarantee and guarantees or bank acceptances.

Credit risk-weighted assets for credit commitments

Credit risk-weighted assets for credit commitments represent the counterparty credit risk associated with credit commitments and are calculated in accordance with the "Rules on Capital Management of Commercial Banks" issued by the NFRA which was effective on 1 January 2024 and are dependent on, among other factors, creditworthiness of counterparties and maturity characteristics of each type of contracts.

	30 June 2025	31 December 2024
Credit risk-weighted assets for credit commitments	**1,503,007**	1,524,062

45 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Collateral

Assets as collateral

At the end of each reporting period, the carrying amounts of assets pledged as collateral under repurchase agreements are as follows:

	30 June 2025	31 December 2024
Debt securities	**1,088,662**	632,614
Bills	**3,813**	3,524
Total	**1,092,475**	636,138

As at 30 June 2025, the financial assets sold under repurchase agreements (disclosed in Note 31 Financial assets sold under repurchase agreements) by the Group amounted to RMB1,066,458 million (31 December 2024: RMB615,725 million). Repurchase agreements are primarily due within 1 year from the effective dates of these agreements.

Financial assets sold under repurchase agreements included certain transactions under which the title of the pledged securities has been transferred to counterparties. These transactions have been disclosed in Note 46 Transferred financial assets.

In addition, debt securities and deposits with banks and other financial institutions pledged in accordance with regulatory requirements as collateral for derivative transactions or borrowings from central banks etc. by the Group as at 30 June 2025 amounted to RMB1,319,784 million in total (31 December 2024: RMB1,318,868 million).

Collateral accepted

The Group received debt securities and bills as collateral in connection with the securities lending transactions and the purchase of assets under resale agreements (Note 20 Financial assets held under resale agreements). As at 30 June 2025, the Group did not hold any collateral that can be resold or re-pledged (31 December 2024: the Group has accepted collateral that can be resold or re-pledged with a fair value of RMB2,266 million and the Group did not resell or re-pledge any of these collateral accepted).

Redemption commitment for treasury bonds

The Group is entrusted by the MOF to underwrite certain treasury bonds. The investors of these treasury bonds have a right to redeem the bonds at any time prior to maturity and the Group is committed to honor such redemption requests. The redemption price is calculated as the nominal value of the bond plus payable interest in accordance with the terms of the related early redemption arrangement.

As at 30 June 2025, the nominal value of treasury bonds the Group was obligated to redeem prior to maturity was RMB50,947 million (31 December 2024: RMB46,052 million). The original maturities of these bonds vary from 3 to 5 years. Management of the Group expects the amount of redemption before the maturity dates of these bonds will not be material.

Commitment on securities underwriting

As at 30 June 2025, the Group did not have unexpired securities underwriting obligations (31 December 2024: Nil).

46 TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business whereby it transfers recognized financial assets to third parties or to structured entities. In some cases these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group retains substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

Securitization transactions

The Group enters into securitization transactions in the normal course of business by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed, among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished its control over these assets.

As at 30 June 2025, the balance of accumulative loans transferred by the Group before impairment allowance underlying the outstanding unexpired asset-backed securities was RMB139,805 million (31 December 2024: RMB122,382 million). RMB56,931 million of this balance (31 December 2024: RMB39,508 million) was in respect of non-performing loans and the Group concluded that these loans transferred were qualified for full derecognition. The remaining balance of RMB82,874 million (31 December 2024: RMB82,874 million) was in respect of performing loans and the Group concluded that it had continuing involvement in these assets. As at 30 June 2025, the Group continued to recognize assets of RMB7,256 million (31 December 2024: RMB7,887 million) under loans and advances to customers. The Group also recognized other assets and other liabilities of the same amount arising from such continuing involvement.

Transfer of non-performing loans

For the six months ended 30 June 2025, the Group transferred non-performing loans through disposal to third parties or issuing asset-backed securities, with gross loans balance of RMB20,082 million (six months ended 30 June 2024: RMB12,696 million). The Group concluded that these transferred assets were qualified for full derecognition.

Financial assets sold under repurchase agreements

The Group did not derecognize financial assets transferred as collateral in connection with repurchase agreements. As at 30 June 2025, the book value of the debt securities whereby legal title has been transferred to counterparties was RMB1,019,694 million (31 December 2024: RMB411,300 million), and these collateral pledged is disclosed in Note 45 Contingent liabilities and commitments – Collateral.

Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or repledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. As at 30 June 2025, the carrying amount of debt securities lent to counterparties was RMB12,920 million (31 December 2024: RMB27,790 million).

47 FINANCIAL RISK MANAGEMENT

Overview

The Group's primary risk management objective is to meet the requirements of stable operation from regulators, depositors and other stakeholders, as well as to maximize return for investors within an acceptable level of risk.

The Group has designed risk management policies, which address, among other things, the establishment of risk limits and controls to identify, analyze, monitor and report risks. Relevant and timely information used to conduct these risk management activities is provided through information systems maintained by the Group. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practices.

The most significant types of risk to which the Group is exposed are credit risk, market risk and liquidity risk. Market risk includes foreign exchange rate risk, interest rate risk and other price risk.

Risk management framework

The Board of Directors of the Group is responsible for formulating the Group's risk appetite, reviewing and approving the Group's major risk management policies and procedures.

Senior Management of the Group is responsible for the implementation of risk management, including implementing risk appetite and risk management strategies, formulating risk management policies and procedures, and establishing a risk management organizational structure to manage the Group's major risks.

47.1 Credit risk

Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations when due. Credit risk can also arise from operational failures that result in an unauthorized or inappropriate loans and advances, commitment or investment. The Group's major credit risks arise from loans and advances, treasury operations and off-balance sheet related credit risk exposures.

The Group's credit risk management and governance structure comprise the Board of Directors and its Risk Management and Consumer Protection Committee, Senior Management and its Risk Management and Internal Control Committee, Credit Approval Committee and Asset Disposal Committee, Credit Management Department, Credit Approval Department and related front-office customer departments. The Group's credit risk management function operates under centralized management and authorization under a range of specified limits.

The Group performs standardized credit management procedures, including credit due diligence and proposal submission, credit underwriting review, loan disbursement, post-lending monitoring and non-performing loan management. The Group enhances its credit risk management by strictly complying with its credit management procedures; strengthening customer investigation, credit rating, lending approval and post-lending monitoring measures; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrading the credit management system.

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include: (1) ceasing enforcement activity, and (2) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

***Credit risk management** (Continued)*

During the reporting period, the Group continued to improve the comprehensive risk management system to ensure effective risk management. The Group strengthened credit risk management in key areas and asset quality control and accelerated the disposal of non-performing loans to ensure the stability of assets quality.

Apart from the credit risk exposures on credit-related assets, the credit risk arising from treasury operation business is managed by selecting counterparties with acceptable credit quality, balancing credit risk and return, referencing to both internal and external credit rating information where available and applying appropriate limits subject to different level of management authority, and timely reviewing and adjusting those limits in credit system. In addition, the Group also provides loan commitments and financial guarantee services to customers which may require the Group to make payments on behalf of customers upon their failure to perform under the terms of the related contract. Risks arising from loan commitments and financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management policies and procedures.

Measurement of ECL

The Group applies the ECL model to calculate loss allowances for its debt financial instruments measured at amortized cost and FVOCI, as well as loan commitments and financial guarantee contracts.

Methods applied by the Group in assessing the expected credit losses of its financial assets include risk parameters model and the discounted cash flow ("DCF") model. Retail credit assets and Stage I and Stage II wholesale credit assets are assessed using risk parameters, while Stage III wholesale credit assets are subject to the discounted cash flow method.

The Group assesses ECL in light of forward-looking information and uses models and assumptions in calculating the expected credit losses. These models and assumptions relate to the future macroeconomic conditions and the borrowers' creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). In assessing the expected credit risks in accordance with accounting standards, the Group uses the judgements, assumptions and estimates where appropriate, including:

— Portfolio segmentation of credit risk exposures

— Parameters for measuring ECL

— Criteria for significant increase in credit risk and default definition

— Definition of credit-impaired financial assets

— Forward-looking information

— Estimation of future cash flows for Stage III wholesale credit assets

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Measurement of ECL *(Continued)*

Portfolio segmentation of credit risk exposures

For measurement of ECL, portfolio segmentation is based on similar credit risk characteristics. In performing the portfolio segmentation of credit assets, the Group considers product types, customer types, industry, customer size, risk mitigation method and market distribution. The Group retests and revises the rationality of portfolio segmentation of credit risk exposures every year.

Parameters for measuring ECL

According to whether there is a significant increase in credit risk and whether a financial asset has become credit-impaired, the Group recognizes an impairment allowance based on the expected credit loss for the next 12 months or the entire lifetime of the financial asset. The relevant parameters of ECL measurement include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group establishes its PD models, LGD models and EAD models based on the internal rating based system as currently used for its risk management purpose, in accordance with the requirements of IFRS 9, in light of quantitative analyzes of historical statistics (such as counterparty ratings, guarantee methods and collateral types, repayment methods, etc.) and forward-looking information.

The parameters are defined as follows:

— PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months ("12 months PD"), or over the remaining lifetime ("Lifetime PD") of the obligation;

— EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months ("12 months EAD") or over the remaining lifetime ("Lifetime EAD");

— LGD represents the Group's expectation of the extent of loss on defaulted exposure. It varies depending on the type of counterparty, method of recourse and priority, and the availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

Criteria for significant increase in credit risk ("SICR") and default definition

The Group assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each reporting date. For the purpose of staging assessment of its financial assets, the Group thoroughly considers various reasonable and supportable information that may reflect whether or not there has been a significant change in their credit risk, including forward-looking information. Key factors considered include regulatory and operating environments, internal and external credit ratings, solvency, viability as a going concern, terms of loan contracts, repayment behaviors, among others. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the reporting date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments. The definition of default refers to the failure to pay the debt as agreed in the contract, or other violations of the debt contract and have a significant impact on the normal debt repayment.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Measurement of ECL *(Continued)*

Criteria for significant increase in credit risk ("SICR") and default definition (Continued)

The Group sets quantitative and qualitative criteria to determine whether the credit risk of a financial instrument has increased significantly since its initial recognition. The criteria includes changes in its credit risk classification, changes in the borrower's PD, overdue status and other factors. In particular, when the credit risk classification changes from Normal upon initial recognition to Special Mention, there has been SICR. When the wholesale clients' PD rises to a certain level, there has been a SICR. Criteria to determine SICR varied based on the original PD upon initial recognition. If the borrower's original PD is relatively low (for example, lower than 3%), there has been SICR when the credit grade falls at least 5 notches. When retail clients' PD exceeds a certain level, there has been SICR. According to IFRS 9, a backstop is applied and the financial instrument is considered to have experienced SICR if the borrower is more than 30 days past due on its contractual payments.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. The Group recognizes a financial instrument as having low credit risk if its internal rating is consistent with the globally accepted definition for low credit risk (e.g. external "investment grade" rating).

Definition of credit-impaired financial assets

The criteria adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives for relevant financial instruments, in addition to consideration of quantitative and qualitative indicators. In assessing whether a borrower has become credit-impaired, the Group mainly considers the following factors:

— Significant financial difficulty of the issuer or the borrower;

— A breach of contract, such as a default or past due event in relation to interest or principal payment;

— The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

— It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

— The disappearance of an active market for that financial asset because of financial difficulties;

— The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

— The borrower is overdue for more than 90 days in any principal, advances, interest or investment in bonds due to the Group.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single discrete event.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Measurement of ECL *(Continued)*

Forward-looking information

The assessment of whether there has been a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the forward-looking information that affect the credit risk and ECL of various portfolio. Forward-looking information include Gross Domestic Product (GDP), Consumer Price Index (CPI) and Producer Price Index (PPI), etc.

The impact of these forward-looking information on the PDs and the LGDs varies from one portfolio to another. The Group comprehensively considers internal and external data, expert forecasts and statistical analysis to determine the correlation between these forward-looking information and the PDs and LGDs. The Group assesses and forecasts these forward-looking information at least every six months, calculates the best estimates for the future, and regularly reviews and assesses results.

As at 30 June 2025, the Group has assessed and forecasted the relevant forward-looking information, of which the forecast value of GDP growth rate under each scenario is as follows: 5.00% under base scenario, 5.47% under upside scenario, and 4.53% under downside scenario.

Based on statistical analysis and expert judgements, the Group determines the weightings of multiple scenarios and the corresponding forward-looking information forecast under each scenario. The weighting of base scenario is greater than the aggregated weightings of the other two scenarios. At 30 June 2025, the weightings of the Group's base, upside and downside scenarios have not changed from 31 December 2024. The Group uses the weighted 12 months ECL (Stage I) or weighted lifetime ECL (Stage II and Stage III) to measure relevant impairment allowances. These weighted credit losses are calculated by multiplying the expected credit loss under each scenario by the assigned scenario weighting.

Estimation of future cash flows for Stage III wholesale credit assets

The Group measures the ECL for Stage III wholesale credit assets using DCF method. Under DCF method, the loss allowance is calculated based on the estimation of future cash flows. At each measurement date, the Group projects the future cash inflows of relevant assets under different scenarios to estimate the probability weighted cash flow of each future period. The cash flows are discounted and aggregated to get the present value of the assets' future cash flows.

Maximum exposure to credit risk without taking account of any collateral held or other credit enhancements

The maximum exposure to credit risk represents the worst credit risk exposure at the end of each reporting period, without taking account of any collateral held or other credit enhancements. The credit risk exposure to the Group at the end of each reporting period primarily arises from credit and treasury operations. In addition, off-balance sheet items such as loan commitments, credit card commitments, bank acceptances, letters of guarantee and guarantees and letters of credit also include credit risks.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

***Maximum exposure to credit risk without taking account of any collateral held or other credit enhancements** (Continued)*

A summary of the maximum exposure to credit risk as at the end of the reporting period is as follows:

	30 June 2025	31 December 2024
Balances with central banks	**3,300,817**	2,067,244
Deposits with banks and other financial institutions	**410,918**	571,956
Placements with and loans to banks and other financial institutions	**472,461**	529,767
Derivative financial assets	**42,680**	65,920
Financial assets held under resale agreements	**1,554,271**	1,371,571
Loans and advances to customers	**25,764,001**	23,977,013
Financial investments		
Financial assets at fair value through profit or loss	**374,091**	364,130
Debt instrument investments at amortized cost	**10,348,968**	9,905,633
Other debt instrument investments at fair value through other comprehensive income	**3,552,115**	3,418,609
Other financial assets	**268,508**	260,021
Subtotal	**46,088,830**	42,531,864
Loan commitments and financial guarantee contracts	**2,973,807**	2,852,166
Total	**49,062,637**	45,384,030

The Group has implemented specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level. The most typical practice is obtaining guarantee deposits, collateral and guarantees. The amount and type of acceptable collateral are determined through the assessment of credit risk of borrowers or counterparties. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters.

The main types of collateral obtained are as follows:

— Mortgage loans to retail customers are generally collateralized by mortgages over residential properties;

— Other personal lending and corporate loans and advances are primarily collateralized by charges over land and properties or other assets of the borrowers; and

— Financial assets held under resale agreements transactions are primarily collateralized by debt securities and bills, etc.

The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Loans and advances to customers

The below information does not include accrued interests of loans and advances to customers.

(1) The composition of loans and advances to customers by geographical area is analyzed as follows:

	30 June 2025		31 December 2024	
	Amount	**% of total**	Amount	% of total
Corporate loans and advances				
Head Office	**519,712**	**3.0**	570,025	3.6
Yangtze River Delta	**4,757,520**	**27.4**	4,258,989	26.5
Pearl River Delta	**2,397,728**	**13.8**	2,208,655	13.8
Bohai Rim	**2,343,342**	**13.5**	2,142,403	13.4
Central China	**2,724,519**	**15.7**	2,479,386	15.5
Western China	**3,697,759**	**21.3**	3,481,138	21.7
Northeastern China	**530,057**	**3.1**	511,328	3.2
Overseas and Others	**386,011**	**2.2**	373,883	2.3
Subtotal	**17,356,648**	**100.0**	16,025,807	100.0
Personal loans				
Head Office	**490,465**	**5.3**	350,336	4.0
Yangtze River Delta	**1,778,739**	**19.1**	1,770,702	20.1
Pearl River Delta	**1,725,426**	**18.5**	1,686,622	19.1
Bohai Rim	**1,264,556**	**13.6**	1,212,201	13.7
Central China	**1,684,296**	**18.1**	1,593,044	18.0
Western China	**2,076,896**	**22.2**	1,942,783	22.0
Northeastern China	**287,048**	**3.1**	258,524	2.9
Overseas and Others	**12,328**	**0.1**	16,232	0.2
Subtotal	**9,319,754**	**100.0**	8,830,444	100.0
Gross loans and advances to customers	**26,676,402**		24,856,251	

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Loans and advances to customers *(Continued)*

(2) The composition of loans and advances to customers by industry is analyzed as follows:

	30 June 2025		31 December 2024	
	Amount	**% of total**	Amount	% of total
Corporate loans and advances				
Transportation, logistics and postal services	**3,183,870**	**18.3**	3,043,610	18.9
Manufacturing	**3,088,179**	**17.8**	2,694,054	16.8
Leasing and commercial services	**2,570,571**	**14.8**	2,380,813	14.9
Production and supply of power, heat, gas and water	**1,811,961**	**10.4**	1,677,005	10.5
Wholesale and retail	**1,438,546**	**8.3**	1,315,312	8.2
Water, environment and public utilities management	**1,359,316**	**7.8**	1,269,111	7.9
Finance	**1,106,208**	**6.4**	1,109,225	6.9
Real estate	**930,279**	**5.4**	913,134	5.7
Construction	**687,190**	**4.0**	569,371	3.6
Mining	**346,104**	**2.0**	308,667	1.9
Others	**834,424**	**4.8**	745,505	4.7
Subtotal	**17,356,648**	**100.0**	16,025,807	100.0
Personal loans				
Residential mortgage	**4,935,433**	**52.9**	4,984,594	56.4
Personal business	**2,923,662**	**31.4**	2,495,466	28.3
Personal consumption	**550,339**	**5.9**	491,414	5.6
Credit cards	**910,159**	**9.8**	858,811	9.7
Others	**161**	**0.0**	159	0.0
Subtotal	**9,319,754**	**100.0**	8,830,444	100.0
Gross loans and advances to customers	**26,676,402**		24,856,251	

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Loans and advances to customers *(Continued)*

(3) The composition of loans and advances to customers by contractual maturity and security type is analyzed as follows:

	30 June 2025			
	Less than 1 year	1 – 5 years	Over 5 years	Total
Unsecured loans	**5,094,273**	**3,635,215**	**3,018,282**	**11,747,770**
Guaranteed loans	**926,177**	**606,035**	**1,885,541**	**3,417,753**
Loans secured by mortgages	**1,758,379**	**960,517**	**6,285,792**	**9,004,688**
Pledged loans	**303,697**	**150,457**	**2,052,037**	**2,506,191**
Total	**8,082,526**	**5,352,224**	**13,241,652**	**26,676,402**

	31 December 2024			
	Less than 1 year	1 – 5 years	Over 5 years	Total
Unsecured loans	4,009,848	3,799,571	2,687,228	10,496,647
Guaranteed loans	769,295	793,657	1,440,682	3,003,634
Loans secured by mortgages	1,208,521	1,498,825	6,195,934	8,903,280
Pledged loans	315,051	296,843	1,840,796	2,452,690
Total	6,302,715	6,388,896	12,164,640	24,856,251

(4) Overdue loans (i)

	30 June 2025					
	Overdue 1 – 30 days	Overdue 31 – 90 days	Overdue 91 to 360 days	Overdue 361 days to 3 years	Overdue over 3 years	Total
Unsecured loans	**14,787**	**15,636**	**43,076**	**12,799**	**7,603**	**93,901**
Guaranteed loans	**1,711**	**3,157**	**10,779**	**11,230**	**1,846**	**28,723**
Loans secured by mortgages	**34,794**	**32,313**	**65,466**	**51,825**	**7,396**	**191,794**
Pledged loans	**3,180**	**699**	**1,639**	**3,394**	**1,246**	**10,158**
Total	**54,472**	**51,805**	**120,960**	**79,248**	**18,091**	**324,576**

	31 December 2024					
	Overdue 1 – 30 days	Overdue 31 – 90 days	Overdue 91 to 360 days	Overdue 361 days to 3 years	Overdue over 3 years	Total
Unsecured loans	13,503	14,159	34,888	10,253	3,639	76,442
Guaranteed loans	4,990	2,239	9,515	9,147	3,984	29,875
Loans secured by mortgages	29,180	33,911	63,894	42,927	8,871	178,783
Pledged loans	2,040	118	1,529	3,995	315	7,997
Total	49,713	50,427	109,826	66,322	16,809	293,097

(i) When either loan principal or interest is past due by one day (inclusive) in any period, the whole loan is classified as overdue loan.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Loans and advances to customers *(Continued)*

(5) Credit quality of loans and advances to customers

Within the credit-impaired loans and advances, the portions covered and not covered by collaterals held are as follows:

	30 June 2025	31 December 2024
Portion covered	**211,937**	202,304
Portion not covered	**129,338**	119,861
Total	**341,275**	322,165

(6) Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The gross carrying amount of the financial asset is recalculated and the related gain or loss is recognized in profit and loss. The 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 monitors the subsequent performance of modified assets. If the Group determines that the credit risk has significantly improved after modified, the impairment allowance of these assets will be measured on the basis of 12 months ECL instead of the lifetime ECL.

(7) Rescheduled Loans

According to the Rules on Risk Classification of Financial Assets of Commercial Banks issued by the NFRA and the People's Bank of China, which came into force on 1 July 2023. Rescheduled loans refer to the loans provided by the Group in response to the financial difficulties of the borrower, aimed at facilitating the borrower in repaying debts, involving favourable adjustments to the loan contracts for the benefit the borrowers, or providing refinancing for the borrower's existing loans, including rollover or additional debt financing. Rescheduled loans and advances of the Group as at 30 June 2025 amounted to RMB126,201 million (31 December 2024: RMB105,510 million).

(8) Debt-for-equity swaps of bankruptcy reorganization

For the six months ended 30 June 2025, as a result of debt-for-equity swaps of bankruptcy reorganization, the Group recognized ordinary shares with a fair value of RMB486 million (six months ended 30 June 2024: RMB355 million). The loss associated with the debt-for-equity swaps of bankruptcy reorganization was not significant.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Debt instruments

Credit quality of debt instruments

(1) Analysis of the expected credit loss stages of debt instrument investments at amortized cost and other debt instrument investments at fair value through other comprehensive income were disclosed in Note 22.2 and Note 22.3, respectively.

(2) Debt instruments analyzed by credit rating

The Group adopts a credit rating approach to manage the credit risk of the debt instruments portfolio held. The Group classified the credit risk levels of financial assets measured by ECL into "Low" (credit risk in good condition), "Medium" (increased credit risk), and "High" (credit risk in severe condition), based on the quality of assets. The credit risk level is used for the purpose of the Group's internal credit risk management. "Low" refers to assets with good credit quality. There is no sufficient reason to doubt that the assets are not expected to fulfill its contractual obligation to repay or if there are any other behaviors breaching the debt contracts that would significantly impact the repayment of debt according to contract terms. "Medium" refers to assets facing obvious negative factors impacting its repayment capacity, but not yet have non-repayment behaviors. "High" refers to non-repayment according to the debt contract terms, or other behaviors breaching the debt contracts and having significant impact on the repayment of debt according to contract terms.

The carrying amounts of debt instruments investments at amortized cost and other debt instrument investments at fair value through other comprehensive income analyzed by their credit rating as at the end of the reporting period are as follows (i):

		30 June 2025			
Credit grade	**Note**	**Low**	**Medium**	**High**	**Total**
Debt securities issued by:					
— Governments		**10,422,891**	**–**	**–**	**10,422,891**
— Public sector and quasi-governments		**1,697,002**	**–**	**–**	**1,697,002**
— Financial institutions		**1,053,773**	**–**	**–**	**1,053,773**
— Corporates	(ii)	**256,680**	**–**	**–**	**256,680**
Special government bond		**95,137**	**–**	**–**	**95,137**
Receivable from the MOF		**351,029**	**–**	**–**	**351,029**
Others		**23,494**	**590**	**487**	**24,571**
Total		**13,900,006**	**590**	**487**	**13,901,083**

		31 December 2024			
Credit grade	Note	Low	Medium	High	Total
Debt securities issued by:					
— Governments		9,278,676	–	–	9,278,676
— Public sector and quasi-governments		1,855,002	–	–	1,855,002
— Financial institutions		1,528,425	–	–	1,528,425
— Corporates	(ii)	190,453	303	–	190,756
Special government bond		94,097	–	–	94,097
Receivable from the MOF		348,136	–	–	348,136
Others		28,162	583	405	29,150
Total		13,322,951	886	405	13,324,242

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Debt instruments *(Continued)*

Credit quality of debt instruments (Continued)

(2) Debt instruments analyzed by credit rating (Continued)

(i) The ratings above were internal ratings obtained from the Group, financial assets at fair value through profit or loss were not included in the credit grade table as at 30 June 2025 and 31 December 2024.

(ii) As at 30 June 2025, the ratings of super short-term commercial papers of the Group amounted to RMB23,314 million (31 December 2024: RMB5,577 million) included in corporate bonds above were based on issuer rating for this credit risk analysis.

47.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset.

The Group's Assets and Liabilities Management Department manages its liquidity risk through:

— Optimizing asset and liability structure;

— Maintaining stability of deposit base;

— Making projections of future cash flows, and evaluating the appropriate liquid asset position;

— Maintaining an efficient internal funds transfer mechanism within the Group; and

— Performing stress testing on a regular basis.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 Liquidity risk (Continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities

The tables below summarize the maturity analysis of financial assets and financial liabilities by remaining contractual maturities based on the carrying amount at the end of each reporting period:

	30 June 2025								
	Past due	On demand	Less than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Undated	Total
Cash and balances with central banks	–	936,981	–	1,063	14,111	–	–	2,410,676	3,362,831
Deposits with banks and other financial institutions	–	200,390	53,042	27,936	113,217	16,333	–	–	410,918
Placements with and loans to banks and other financial institutions	–	–	138,257	88,373	165,184	78,276	2,371	–	472,461
Derivative financial assets	–	–	6,829	7,018	25,549	2,862	422	–	42,680
Financial assets held under resale agreements	3,872	–	1,521,262	12,310	16,827	–	–	–	1,554,271
Loans and advances to customers	56,671	–	955,384	1,570,714	6,905,679	5,727,448	10,548,105	–	25,764,001
Financial assets at fair value through profit or loss	–	1,059	8,071	40,100	99,752	47,575	195,883	128,718	521,158
Debt instrument investments at amortized cost	487	–	159,869	336,492	715,635	2,831,429	6,305,056	–	10,348,968
Other debt instrument and other equity investments at fair value through other comprehensive income	–	–	152,987	258,409	758,725	1,648,495	733,499	18,142	3,570,257
Other financial assets	3,351	248,278	4,874	286	4,454	47	7,154	64	268,508
Total financial assets	64,381	1,386,708	3,000,575	2,342,701	8,819,133	10,352,465	17,792,490	2,557,600	46,316,053
Borrowings from central banks	–	(30)	(109,713)	(146,725)	(686,310)	–	–	–	(942,778)
Deposits from banks and other financial institutions	–	(2,249,636)	(376,841)	(962,272)	(1,209,593)	(844,217)	(27,512)	–	(5,670,071)
Placements from banks and other financial institutions	–	–	(129,922)	(125,076)	(101,299)	(7,591)	(2,587)	–	(366,475)
Financial liabilities at fair value through profit or loss	–	(24,462)	(285)	(46)	–	(243)	–	–	(25,036)
Derivative financial liabilities	–	–	(10,843)	(13,617)	(25,765)	(2,617)	(97)	–	(52,939)
Financial assets sold under repurchase agreements	–	–	(261,700)	(401,495)	(403,263)	–	–	–	(1,066,458)
Due to customers	–	(13,549,007)	(1,020,537)	(1,959,745)	(7,235,580)	(8,131,292)	(4,325)	–	(31,900,486)
Debt securities issued	–	–	(285,631)	(732,895)	(1,240,015)	(273,646)	(573,600)	–	(3,105,787)
Other financial liabilities	–	(171,750)	(4,396)	(982)	(4,421)	(10,346)	(19,753)	–	(211,648)
Total financial liabilities	–	(15,994,885)	(2,199,868)	(4,342,853)	(10,906,246)	(9,269,952)	(627,874)	–	(43,341,678)
Net position	64,381	(14,608,177)	800,707	(2,000,152)	(2,087,113)	1,082,513	17,164,616	2,557,600	2,974,375

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 Liquidity risk (Continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities *(Continued)*

	31 December 2024								
	Past due	On demand	Less than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Undated	Total
Cash and balances with central banks	–	114,093	494	1,096	14,910	–	–	2,003,859	2,134,452
Deposits with banks and other financial institutions	–	151,891	47,228	117,934	238,139	16,764	–	–	571,956
Placements with and loans to banks and other financial institutions	–	–	220,778	58,203	179,070	70,084	1,632	–	529,767
Derivative financial assets	–	–	10,783	14,630	36,473	3,599	435	–	65,920
Financial assets held under resale agreements	3,872	–	1,348,884	11,744	7,071	–	–	–	1,371,571
Loans and advances to customers	54,585	–	1,032,708	1,505,023	4,796,794	5,413,569	11,174,334	–	23,977,013
Financial assets at fair value through profit or loss	–	1,648	3,442	26,079	93,780	41,497	218,445	128,415	513,306
Debt instrument investments at amortized cost	696	–	63,399	175,703	967,182	2,746,512	5,952,141	–	9,905,633
Other debt instrument and other equity investments at fair value through other comprehensive income	–	–	203,038	288,408	874,749	1,347,570	704,844	11,555	3,430,164
Other financial assets	4,479	241,115	2,672	243	3,612	123	7,777	–	260,021
Total financial assets	63,632	508,747	2,933,426	2,199,063	7,211,780	9,639,718	18,059,608	2,143,829	42,759,803
Borrowings from central banks	–	(30)	(119,708)	(170,668)	(556,918)	–	–	–	(847,324)
Deposits from banks and other financial institutions	–	(2,481,038)	(219,913)	(740,743)	(661,272)	(539,686)	(24,909)	–	(4,667,561)
Placements from banks and other financial institutions	–	–	(129,452)	(147,003)	(75,755)	(9,515)	(2,297)	–	(364,022)
Financial liabilities at fair value through profit or loss	–	(15,254)	–	–	(362)	(225)	–	–	(15,841)
Derivative financial liabilities	–	–	(13,011)	(13,246)	(29,096)	(2,763)	(30)	–	(58,146)
Financial assets sold under repurchase agreements	–	–	(193,314)	(191,758)	(230,653)	–	–	–	(615,725)
Due to customers	–	(12,930,887)	(1,209,168)	(2,594,225)	(5,738,699)	(7,830,453)	(1,925)	–	(30,305,357)
Debt securities issued	–	–	(108,465)	(587,991)	(1,300,988)	(141,042)	(540,023)	–	(2,678,509)
Other financial liabilities	–	(184,076)	(2,566)	(780)	(3,491)	(10,449)	(20,640)	–	(222,002)
Total financial liabilities	–	(15,611,285)	(1,995,597)	(4,446,414)	(8,597,234)	(8,534,133)	(589,824)	–	(39,774,487)
Net position	63,632	(15,102,538)	937,829	(2,247,351)	(1,385,454)	1,105,585	17,469,784	2,143,829	2,985,316

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows

Assets available to meet obligations related to the Group's liabilities and outstanding credit commitments primarily include cash and balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets at fair value through profit or loss, and financial assets held under resale agreements. In the normal course of business, the majority of customer deposits repayable on demand or on maturity are expected to be retained. In addition, the Group is able to sell the other debt instrument and other equity investments at fair value through other comprehensive income to repay matured liabilities, if necessary.

The tables below present the undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period:

	30 June 2025								
	Past due	On demand	Less than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and balances with central banks	–	936,981	–	1,063	14,111	–	–	2,410,676	3,362,831
Deposits with banks and other financial institutions	–	201,006	53,198	28,201	114,729	17,156	–	–	414,290
Placements with and loans to banks and other financial institutions	–	–	138,890	89,059	168,663	85,428	2,904	–	484,944
Financial assets held under resale agreements	3,915	–	1,523,669	12,354	16,929	–	–	–	1,556,867
Loans and advances to customers	132,634	–	1,055,669	1,748,604	7,737,466	8,008,249	15,225,906	–	33,908,528
Financial assets at fair value through profit or loss	–	1,059	8,116	40,625	103,831	70,875	207,758	128,718	560,982
Debt instrument investments at amortized cost	2,034	–	161,661	351,736	881,311	3,729,159	7,407,562	–	12,533,463
Other debt instrument and other equity investments at fair value through other comprehensive income	–	–	153,825	262,633	800,870	1,782,253	849,682	18,142	3,867,405
Other financial assets	3,882	251,120	4,907	288	4,495	47	7,235	64	272,038
Total non-derivative financial assets	142,465	1,390,166	3,099,935	2,534,563	9,842,405	13,693,167	23,701,047	2,557,600	56,961,348
Non-derivative financial liabilities									
Borrowings from central banks	–	(30)	(109,868)	(147,287)	(695,630)	–	–	–	(952,815)
Deposits from banks and other financial institutions	–	(2,249,636)	(379,229)	(972,479)	(1,237,527)	(930,382)	(28,255)	–	(5,797,508)
Placements from banks and other financial institutions	–	–	(130,621)	(125,901)	(102,175)	(8,547)	(2,871)	–	(370,115)
Financial liabilities at fair value through profit or loss	–	(24,462)	(285)	(46)	–	(243)	–	–	(25,036)
Financial assets sold under repurchase agreements	–	–	(261,810)	(402,691)	(406,232)	–	–	–	(1,070,733)
Due to customers	–	(13,549,007)	(1,021,240)	(1,965,898)	(7,324,260)	(8,351,869)	(4,380)	–	(32,216,654)
Debt securities issued	–	–	(286,045)	(736,985)	(1,267,244)	(355,771)	(669,151)	–	(3,315,196)
Other financial liabilities	–	(171,751)	(4,396)	(985)	(4,470)	(10,769)	(19,955)	–	(212,326)
Total non-derivative financial liabilities	–	(15,994,886)	(2,193,494)	(4,352,272)	(11,037,538)	(9,657,581)	(724,612)	–	(43,960,383)
Net position	142,465	(14,604,720)	906,441	(1,817,709)	(1,195,133)	4,035,586	22,976,435	2,557,600	13,000,965

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 Liquidity risk (Continued)

***Analysis of the undiscounted contractual cash flows** (Continued)*

	31 December 2024								
	Past due	On demand	Less than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and balances with central banks	–	114,093	494	1,096	14,910	–	–	2,003,859	2,134,452
Deposits with banks and other financial institutions	–	152,281	47,400	118,586	240,602	17,842	–	–	576,711
Placements with and loans to banks and other financial institutions	–	–	221,734	58,857	182,456	77,057	1,732	–	541,836
Financial assets held under resale agreements	3,915	–	1,351,184	11,788	7,115	–	–	–	1,374,002
Loans and advances to customers	121,563	–	1,129,863	1,656,571	5,327,497	7,278,533	14,871,422	–	30,385,449
Financial assets at fair value through profit or loss	–	1,648	3,498	26,275	98,838	65,478	231,236	128,415	555,388
Debt instrument investments at amortized cost	1,379	–	65,622	190,054	1,135,894	3,630,725	7,036,406	–	12,060,080
Other debt instrument and other equity investments at fair value through other comprehensive income	–	–	207,349	303,249	957,652	1,544,911	818,087	11,555	3,842,803
Other financial assets	5,064	243,823	2,682	245	3,647	123	7,863	–	263,447
Total non-derivative financial assets	131,921	511,845	3,029,826	2,366,721	7,968,611	12,614,669	22,966,746	2,143,829	51,734,168
Non-derivative financial liabilities									
Borrowings from central banks	–	(30)	(119,829)	(171,345)	(564,558)	–	–	–	(855,762)
Deposits from banks and other financial institutions	–	(2,481,038)	(223,379)	(748,964)	(678,517)	(601,510)	(25,533)	–	(4,758,941)
Placements from banks and other financial institutions	–	–	(130,235)	(147,837)	(76,368)	(10,750)	(2,587)	–	(367,777)
Financial liabilities at fair value through profit or loss	–	(15,254)	–	–	(362)	(225)	–	–	(15,841)
Financial assets sold under repurchase agreements	–	–	(193,334)	(192,311)	(232,440)	–	–	–	(618,085)
Due to customers	–	(12,930,887)	(1,210,281)	(2,602,388)	(5,808,331)	(8,220,640)	(2,088)	–	(30,774,615)
Debt securities issued	–	–	(108,605)	(591,599)	(1,327,178)	(217,450)	(636,167)	–	(2,880,999)
Other financial liabilities	–	(184,076)	(2,567)	(783)	(3,544)	(10,909)	(20,887)	–	(222,766)
Total non-derivative financial liabilities	–	(15,611,285)	(1,988,230)	(4,455,227)	(8,691,298)	(9,061,484)	(687,262)	–	(40,494,786)
Net position	131,921	(15,099,440)	1,041,596	(2,088,506)	(722,687)	3,553,185	22,279,484	2,143,829	11,239,382

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 Liquidity risk (Continued)

Derivative cash flows

Derivatives settled on a net basis

The tables below present the undiscounted contractual cash flows of the Group's net derivative positions based on their remaining contractual maturities:

	30 June 2025					
	Less than 1 month	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**Over 5 years**	**Total**
Derivatives settled on a net basis	**(1,303)**	**(812)**	**(1,966)**	**(7)**	**0**	**(4,088)**

	31 December 2024					
	Less than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Derivatives settled on a net basis	1,668	1,527	(7,244)	(43)	–	(4,092)

Derivatives settled on a gross basis

The tables below present the undiscounted contractual cash flows of the Group's gross derivative positions based on their remaining contractual maturities:

	30 June 2025					
	Less than 1 month	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**Over 5 years**	**Total**
Derivatives settled on a gross basis						
— Cash inflow	**838,115**	**567,255**	**2,456,260**	**60,129**	**639**	**3,922,398**
— Cash outflow	**(840,815)**	**(573,067)**	**(2,454,480)**	**(60,019)**	**(274)**	**(3,928,655)**
Total	**(2,700)**	**(5,812)**	**1,780**	**110**	**365**	**(6,257)**

	31 December 2024					
	Less than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Derivatives settled on a gross basis						
— Cash inflow	795,257	551,217	1,401,479	95,497	5,584	2,849,034
— Cash outflow	(799,152)	(551,362)	(1,386,804)	(94,586)	(5,115)	(2,837,019)
Total	(3,895)	(145)	14,675	911	469	12,015

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 Liquidity risk (Continued)

Off-balance sheet items

The off-balance sheet items of the Group primarily include loan commitments, bank acceptances, credit card commitments, letters of guarantee and guarantees and letters of credit. The tables below summarize the amounts of credit commitments by remaining maturity. Financial guarantees are also included below at notional amounts and based on the earliest contractual maturity date.

	30 June 2025			
	Less than 1 year	**1 – 5 years**	**Over 5 years**	**Total**
Loan commitments	**42,772**	**91,863**	**84,764**	**219,399**
Bank acceptances	**1,133,638**	**–**	**–**	**1,133,638**
Credit card commitments	**933,967**	**–**	**–**	**933,967**
Letters of guarantee and guarantees	**212,230**	**195,582**	**19,036**	**426,848**
Letters of credit	**276,880**	**3,037**	**–**	**279,917**
Total	**2,599,487**	**290,482**	**103,800**	**2,993,769**

	31 December 2024			
	Less than 1 year	1 – 5 years	Over 5 years	Total
Loan commitments	41,341	91,032	111,380	243,753
Bank acceptances	1,127,316	–	–	1,127,316
Credit card commitments	883,311	–	–	883,311
Letters of guarantee and guarantees	206,900	170,985	22,035	399,920
Letters of credit	183,032	37,019	–	220,051
Total	2,441,900	299,036	133,415	2,874,351

47.3 Market risk

Market risk represents the potential loss arising from changes in market rates of interest and foreign exchange, as well as commodity and equity prices. Market risk arises from both the Group's proprietary positions and customer driven transactions, in both cases related to on- and off-balance sheet activities.

The Group is primarily exposed to interest rate risk through corporate, personal banking and treasury operations. Interest rate risk is inherent in many of the Group's businesses and this situation is common among large banks. It fundamentally arises through mismatches between the maturity and re-pricing dates of interest-earning assets and interest-bearing liabilities.

Foreign exchange rate risk is the potential loss related to changes in foreign exchange rates affecting the translation of foreign currency denominated assets and liabilities. The risk of loss results from movements in foreign currency exchange rates.

The Group is also exposed to commodity risk, primarily related to gold and other precious metals. The risk of loss results from movements in commodity price. The Group manages the risk related to gold price together with foreign exchange rate risk.

The Group has determined that the levels of market risk related to changes in equity prices and commodity prices other than gold, with respect to the related exposures in its trading and investment portfolios, are immaterial.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

Segregation of Trading Book and Banking Book

In accordance with the requirements of the Rules on Capital Management of Commercial Banks (2023 No. 4 of the NFRA) issued by the NFRA, the Group manages market risk separately by segregation of trading book and banking book. The trading book is comprised of financial instruments, foreign currency and commodity positions held for trading or risk hedging. Any other positions are included in the banking book.

Market Risk Management for Trading Book

The Group manages market risk in the trading book through methodologies that include stress testing, Value at Risk (VaR), monitoring and management of established limits, sensitivity analysis, duration analysis and exposure analysis.

Based on changes in the external market and business operations, the Group formulates annual financial market business risk management strategy, and further clarifies the admission standards and specific management requirements to be followed for bond trading and derivatives trading. Meanwhile, the Group establishes market risk exposure limits for the trading book, measuring and monitoring the risk limits through the market risk management system.

The Bank has adopted an historical simulation method, with a confidence level of 99% based on holding period of 1 day and historical data for 250 days to calculate the VaR of the trading book, which includes the Head Office, domestic branches and overseas branches. Based on the differences between domestic and overseas markets, the Bank selected applicable parameters for model and risk factors in order to reflect the actual market risk levels. The Bank verified the accuracy and reliability of market risk measurement models through data analysis, parallel modeling, and back-testing of the market risk measurement models.

VaR Analysis for the Trading Book

Bank

	Note	Six months ended 30 June 2025			
		At the end of the period	Average	Maximum	Minimum
Interest rate risk		**89**	**105**	**237**	**58**
Exchange rate risk	(1)	**433**	**417**	**667**	**273**
Commodity risk		**61**	**64**	**92**	**12**
Overall VaR		**475**	**435**	**685**	**281**

	Note	Six months ended 30 June 2024			
		At the end of the period	Average	Maximum	Minimum
Interest rate risk		43	52	79	36
Exchange rate risk	(1)	484	400	516	282
Commodity risk		26	22	30	14
Overall VaR		482	395	508	277

(1) VaR related to gold is recognized as a component of foreign exchange rate risk.

The Bank calculates VaR for its trading book (excluding RMB foreign currency settlement contracts with customers under relevant regulations). The Bank conducts stress testing for its trading book quarterly. The specific areas subject to this testing include the major areas of exposure, such as bonds, interest rate derivatives, foreign exchange derivatives and precious metal. The stress testing uses a range of scenarios to assess the potential impact on profit and loss.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

Market Risk Management for Banking Book

The Group manages market risk related to the banking book by consistently applying techniques across the Group that include exposure limit management, stress testing, scenario analysis and gap analysis.

Interest Rate Risk Management

Interest rate risk refers to the risk that the adverse changes in interest rate levels and maturity structures will cause the economic value of the banking book or overall income to suffer losses. The Group's book interest rate risk mainly comes from the mismatch of maturity or repricing periods of interest-sensitive assets and liabilities in the Group's book and the inconsistent changes in the benchmark interest rate on which assets and liabilities are based.

Since the People's Bank of China's Loan Prime Rate (LPR) reform, the Group has implemented relevant policies in accordance with regulatory requirements, promoted business system transformation, modified system loan contracts, improved internal and external interest rate pricing mechanisms, strengthened staff training for branches, comprehensively promoted LPR applications, and basically realized the entire system and the entire process of loan pricing application of LPR pricing. After the People's Bank of China reforms LPR, the connection between the benchmark interest rate on loans and the market interest rate will be closer, and the frequency and amplitude of volatility will increase relatively. To this end, the Group strengthened the monitoring and prejudgment of the external interest rate environment, adjusted internal and external pricing strategies in a timely manner, optimized the asset and liability product structure and maturity structure, and proactively adjusted the risk structure to reduce the economic value and overall impact of interest rate changes and the adverse impact of earnings. During the reporting period, the Group's interest rate risk level was generally stable, and all quota indicators were controlled within the scope of regulatory requirements and management objectives.

Foreign Exchange Rate Risk Management

Foreign exchange rate risk relates to the mismatch of foreign currency denominated assets and liabilities, and the potential loss related to changes in foreign exchange rates, which largely arises through operational activities.

The Group performs monitoring and sensitivity analysis of foreign exchange rate risk exposure, manages the mismatch of foreign currency denominated assets and liabilities to effectively manage foreign exchange rate risk exposure within acceptable limits.

Market Risk Exposure Limit Management

Market risk exposure limits of the Group are classified as either directive limits or indicative limits, including position limits, stop-loss limits, VaR limits, and stress testing limits.

The Group is committed to continuous improvement of its market risk exposure limit management. The Group establishes exposure limits reflecting its risk appetite and continuously refines the categorization of market risk exposure limits. Further, it regularly monitors, reports, refines, and implements improvements to the market risk exposure limit process.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

Foreign exchange rate risk

The Group primarily conducts its business activities in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent, other currencies.

The composition of all financial assets and liabilities at the end of each reporting period analyzed by currency is as follows:

	30 June 2025				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	3,233,238	60,310	13,565	55,718	3,362,831
Deposits with banks and other financial institutions	232,191	63,083	41,176	74,468	410,918
Placements with and loans to banks and other financial institutions	222,343	170,395	55,773	23,950	472,461
Derivative financial assets	32,734	6,787	1,799	1,360	42,680
Financial assets held under resale agreements	1,554,271	–	–	–	1,554,271
Loans and advances to customers	25,324,361	309,270	46,681	83,689	25,764,001
Financial assets at fair value through profit or loss	508,384	10,846	788	1,140	521,158
Debt instrument investments at amortized cost	10,206,093	108,326	24,911	9,638	10,348,968
Other debt instrument and other equity investments at fair value through other comprehensive income	3,231,713	273,439	2,411	62,694	3,570,257
Other financial assets	247,576	18,055	2,290	587	268,508
Total financial assets	44,792,904	1,020,511	189,394	313,244	46,316,053
Borrowings from central banks	(942,778)	–	–	–	(942,778)
Deposits from banks and other financial institutions	(5,577,769)	(64,356)	(26,705)	(1,241)	(5,670,071)
Placements from banks and other financial institutions	(95,823)	(202,130)	(50,164)	(18,358)	(366,475)
Financial liabilities at fair value through profit or loss	(24,236)	(86)	(714)	–	(25,036)
Derivative financial liabilities	(37,656)	(9,759)	(3,244)	(2,280)	(52,939)
Financial assets sold under repurchase agreements	(1,011,842)	(34,811)	–	(19,805)	(1,066,458)
Due to customers	(31,014,657)	(416,910)	(321,660)	(147,259)	(31,900,486)
Debt securities issued	(2,755,592)	(267,033)	(38,421)	(44,741)	(3,105,787)
Other financial liabilities	(160,925)	(42,665)	(5,503)	(2,555)	(211,648)
Total financial liabilities	(41,621,278)	(1,037,750)	(446,411)	(236,239)	(43,341,678)
Net on-balance sheet position	3,171,626	(17,239)	(257,017)	77,005	2,974,375
Net notional amount of derivatives	86,062	(73,699)	264,645	(73,784)	203,224
Loan commitments and financial guarantee contracts	2,689,549	243,912	19,143	41,165	2,993,769

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

***Foreign exchange rate risk** (Continued)*

The composition of all financial assets and liabilities at the end of each reporting period analyzed by currency is as follows: (Continued)

	31 December 2024				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,016,139	74,140	7,127	37,046	2,134,452
Deposits with banks and other financial institutions	433,544	64,693	3,132	70,587	571,956
Placements with and loans to banks and other financial institutions	228,796	222,322	61,989	16,660	529,767
Derivative financial assets	56,054	3,971	3,039	2,856	65,920
Financial assets held under resale agreements	1,369,311	2,260	–	–	1,371,571
Loans and advances to customers	23,556,818	284,976	49,829	85,390	23,977,013
Financial assets at fair value through profit or loss	496,828	13,931	1,362	1,185	513,306
Debt instrument investments at amortized cost	9,789,420	90,346	18,260	7,607	9,905,633
Other debt instrument and other equity investments at fair value through other comprehensive income	3,100,343	276,412	1,523	51,886	3,430,164
Other financial assets	208,316	47,315	2,838	1,552	260,021
Total financial assets	41,255,569	1,080,366	149,099	274,769	42,759,803
Borrowings from central banks	(847,324)	–	–	–	(847,324)
Deposits from banks and other financial institutions	(4,606,053)	(33,322)	(27,649)	(537)	(4,667,561)
Placements from banks and other financial institutions	(96,102)	(199,089)	(48,117)	(20,714)	(364,022)
Financial liabilities at fair value through profit or loss	(15,479)	–	(362)	–	(15,841)
Derivative financial liabilities	(50,083)	(4,348)	(1,776)	(1,939)	(58,146)
Financial assets sold under repurchase agreements	(587,496)	(13,782)	–	(14,447)	(615,725)
Due to customers	(29,576,531)	(364,160)	(196,540)	(168,126)	(30,305,357)
Debt securities issued	(2,344,644)	(257,582)	(39,011)	(37,272)	(2,678,509)
Other financial liabilities	(198,961)	(18,799)	(2,153)	(2,089)	(222,002)
Total financial liabilities	(38,322,673)	(891,082)	(315,608)	(245,124)	(39,774,487)
Net on-balance sheet position	2,932,896	189,284	(166,509)	29,645	2,985,316
Net notional amount of derivatives	238,761	(226,519)	197,711	(36,954)	172,999
Loan commitments and financial guarantee contracts	2,561,743	231,757	632	80,219	2,874,351

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

***Foreign exchange rate risk** (Continued)*

The table below indicates the potential effect on profit before tax and other comprehensive income arising from a 5% appreciation or depreciation of RMB spot and forward foreign exchange rates against a basket of all other currencies on the net positions of foreign currency monetary assets and liabilities and derivative instruments in the consolidated interim statement of financial position of the Group.

	30 June 2025		31 December 2024	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
5% appreciation	**3,650**	**88**	519	238
5% depreciation	**(3,650)**	**(88)**	(519)	(238)

The effect on profit before tax and other comprehensive income is calculated based on the assumption that the Group's foreign currency sensitive exposures and foreign currency derivative instruments net position at the end of each reporting period remain unchanged. The Group mitigates its foreign exchange rate risk through active management of its foreign currency exposures and the appropriate use of derivative instruments, based on management expectation of future foreign currency exchange rate movements. Such analysis does not take into account the correlation effect of changes in different foreign currencies, nor any further actions that could be taken by management to mitigate the effect of foreign exchange differences. Therefore, the sensitivity analysis above may differ from actual results occurring through changes in foreign exchange rates.

Interest rate risk

The Group's interest rate risk arises from the mismatches between contractual maturities or re-pricing dates of interest-generating assets and interest-bearing liabilities, as well as the inconsistent variations in the benchmark interest rate on which the assets and liabilities are based. The Group's interest-generating assets and interest-bearing liabilities are primarily denominated in RMB. The PBOC stipulated the benchmark interest rate for RMB deposits. The deposit interest rate floating ceiling was removed by the PBOC with effect from 24 December 2015 for commercial banks. Since 16 August 2019, the PBOC established LPR to replace RMB benchmark interest rates for loan as a pricing benchmark of new loan whereby financial institutions are in a position to price their loans based on commercial and market factors.

The Group manages its interest rate risk by:

— Strengthen the pre-judgment of the situation and analyze the macroeconomic factors that may affect the LPR interest rate, the benchmark deposit interest rate and the market interest rate;

— Strengthen strategy transmission and optimize the repricing term structure of interest-earning assets and interest-bearing liabilities;

— Implement limit management to control the impact of interest rate changes on the economic value and overall income of banking books within the limits.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

***Interest rate risk** (Continued)*

The tables below summarize the contractual maturity or re-pricing date, whichever is earlier, of the Group's financial assets and financial liabilities at the end of each reporting period:

	30 June 2025						
	Less than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	3,093,680	–	14,111	–	–	255,040	3,362,831
Deposits with banks and other financial institutions	249,455	27,509	112,721	15,558	–	5,675	410,918
Placements with and loans to banks and other financial institutions	215,711	86,358	150,096	15,951	1,219	3,126	472,461
Derivative financial assets	–	–	–	–	–	42,680	42,680
Financial assets held under resale agreements	1,521,048	12,284	16,807	–	–	4,132	1,554,271
Loans and advances to customers	4,067,775	4,861,912	15,418,100	1,113,993	249,563	52,658	25,764,001
Financial assets at fair value through profit or loss	8,818	42,853	101,155	44,493	159,886	163,953	521,158
Debt instrument investments at amortized cost	151,837	317,704	673,262	2,801,737	6,245,152	159,276	10,348,968
Other debt instrument and other equity investments at fair value through other comprehensive income	172,622	320,325	745,198	1,558,808	727,272	46,032	3,570,257
Other financial assets	–	–	–	–	–	268,508	268,508
Total financial assets	9,480,946	5,668,945	17,231,450	5,550,540	7,383,092	1,001,080	46,316,053
Borrowings from central banks	(106,853)	(143,737)	(682,320)	–	–	(9,868)	(942,778)
Deposits from banks and other financial institutions	(2,623,240)	(956,180)	(1,201,964)	(832,108)	(27,500)	(29,079)	(5,670,071)
Placements from banks and other financial institutions	(129,914)	(126,152)	(101,902)	(4,790)	(1,407)	(2,310)	(366,475)
Financial liabilities at fair value through profit or loss	(285)	(46)	–	(243)	–	(24,462)	(25,036)
Derivative financial liabilities	–	–	–	–	–	(52,939)	(52,939)
Financial assets sold under repurchase agreements	(260,148)	(400,600)	(402,272)	–	–	(3,438)	(1,066,458)
Due to customers	(14,503,937)	(1,920,580)	(7,027,025)	(7,960,946)	(4,299)	(483,699)	(31,900,486)
Debt securities issued	(310,008)	(764,772)	(1,225,476)	(220,203)	(573,579)	(11,749)	(3,105,787)
Other financial liabilities	–	–	–	–	–	(211,648)	(211,648)
Total financial liabilities	(17,934,385)	(4,312,067)	(10,640,959)	(9,018,290)	(606,785)	(829,192)	(43,341,678)
Interest rate gap	(8,453,439)	1,356,878	6,590,491	(3,467,750)	6,776,307	171,888	2,974,375

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

Interest rate risk *(Continued)*

The tables below summarize the contractual maturity or re-pricing date, whichever is earlier, of the Group's financial assets and financial liabilities at the end of each reporting period: (Continued)

	31 December 2024						
	Less than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	1,911,637	–	14,910	–	–	207,905	2,134,452
Deposits with banks and other financial institutions	195,748	117,319	236,931	16,133	–	5,825	571,956
Placements with and loans to banks and other financial institutions	279,108	52,438	164,040	29,059	1,631	3,491	529,767
Derivative financial assets	–	–	–	–	–	65,920	65,920
Financial assets held under resale agreements	1,348,509	11,716	7,050	–	–	4,296	1,371,571
Loans and advances to customers	5,348,957	4,589,977	12,748,572	940,884	298,687	49,936	23,977,013
Financial assets at fair value through profit or loss	3,277	25,764	99,738	41,468	177,371	165,688	513,306
Debt instrument investments at amortized cost	57,480	143,914	932,207	2,719,950	5,895,133	156,949	9,905,633
Other debt instrument and other equity investments at fair value through other comprehensive income	219,425	326,842	865,002	1,279,338	702,429	37,128	3,430,164
Other financial assets	–	–	–	–	–	260,021	260,021
Total financial assets	9,364,141	5,267,970	15,068,450	5,026,832	7,075,251	957,159	42,759,803
Borrowings from central banks	(116,910)	(167,237)	(552,134)	–	–	(11,043)	(847,324)
Deposits from banks and other financial institutions	(2,696,125)	(735,647)	(654,109)	(528,085)	(24,900)	(28,695)	(4,667,561)
Placements from banks and other financial institutions	(128,355)	(146,007)	(74,670)	(9,493)	(2,288)	(3,209)	(364,022)
Financial liabilities at fair value through profit or loss	–	–	(362)	(225)	–	(15,254)	(15,841)
Derivative financial liabilities	–	–	–	–	–	(58,146)	(58,146)
Financial assets sold under repurchase agreements	(193,156)	(191,314)	(230,065)	–	–	(1,190)	(615,725)
Due to customers	(14,084,599)	(2,512,097)	(5,578,773)	(7,609,342)	(1,868)	(518,678)	(30,305,357)
Debt securities issued	(127,023)	(610,209)	(1,285,498)	(102,544)	(540,023)	(13,212)	(2,678,509)
Other financial liabilities	–	–	–	–	–	(222,002)	(222,002)
Total financial liabilities	(17,346,168)	(4,362,511)	(8,375,611)	(8,249,689)	(569,079)	(871,429)	(39,774,487)
Interest rate gap	(7,982,027)	905,459	6,692,839	(3,222,857)	6,506,172	85,730	2,985,316

The following table illustrates the potential pre-tax impact, of a parallel upward or downward shift of 100 basis points in relevant interest rate curves on the Group's net interest income and other comprehensive income for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets and interest-bearing liabilities at the end of each reporting period. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparalleled yield curve movements.

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behavior, basis risk or any prepayment options on debt securities into consideration.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

Interest rate risk *(Continued)*

The sensitivity analysis on other comprehensive income reflects only the effect of changes in fair value of those financial instruments classified as other debt instrument investments and other equity investments at fair value through other comprehensive income held, whose fair value changes are recorded as an element of other comprehensive income.

	30 June 2025		31 December 2024	
	Net interest income	**Other comprehensive income**	Net interest income	Other comprehensive income
+100 basis points	**(45,471)**	**(105,983)**	(43,851)	(95,502)
–100 basis points	**45,471**	**105,983**	43,851	95,502

The assumptions do not reflect actions that might be taken under the Group's capital and interest rate risk management policy to mitigate changes to the Group's interest rate risk. Therefore the above analysis may differ from the actual situation.

In addition, the presentation of interest rate sensitivity above is for illustration purposes only, showing the potential impact on net interest income and other comprehensive income of the Group under different parallel yield curve movements, relative to their position at period-end, excluding the derivative positions.

47.4 Country Risk

Country risk represents the risk due to changes and incidents occurred in the politics, economy and society of a specific country or region, which results in the debtors in that country or region incapable of or unwilling to pay their debts owed to the Bank or otherwise leads to business losses or other losses to the Bank in that country or region.

According to the regulatory requirements of NFRA, the Bank managed country risk through tools and approaches such as country risk rating, limit approval, exposure analysis and stress testing. Meanwhile, we made adequate, reasonable and prudent provision for country risk in accordance with regulatory requirements.

47.5 Insurance risk

The Group engages in its insurance business primarily in Chinese mainland. Insurance risk refers to the financial impact resulting from the unexpected occurrence of insured events. These risks are actively managed by the Group through effective sales management, underwriting control, reinsurance management and claim management. Through effective sales management, the risk of mis-selling could be reduced and the accuracy of information used for underwriting is improved. Through underwriting control, risk of adverse selection could be reduced and moreover differential pricing policy based on the level of each kind of risk could be utilized. Through reinsurance, the Group's insurance capacity could be enhanced and targeted risks could be mitigated. Effective claims management is designed to ensure that insurance payments are controlled according to established criteria.

Uncertainty in the estimation of future benefit payments and premium receipts for long-term life insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality. The Group conducts experience analysis of mortality rate and surrender rate, in order to improve its risk assessment and as a basis for reasonable estimates.

48 CAPITAL MANAGEMENT

The Group's capital management objectives are as follows:

— maintain an adequate capital base to support the development of its business;

— support the Group's financial stability and profitable growth;

— allocate capital through an efficient and risk based approach to optimize risk-adjusted return to shareholders; and

— safeguard the long-term sustainability of the Group's franchise so that it can continue to provide sufficient shareholder returns and benefits for other stakeholders.

In April 2014, the NFRA officially approved the Group to adopt advanced capital management approach. Within the scope of the approval, the Internal Ratings-Based approach is adopted to Credit Risk-weighted Assets for both retail and non-retail risk exposures, and the Standardized approach for both Operational Risk-weighted Assets and Market Risk-weighted Assets. In January 2017, the NFRA has officially approved the Group to adopt the Internal Models approach to measure its Market Risk-weighted Assets for qualified risk exposures.

The Group calculates the capital adequacy ratio in accordance with "Rules on Capital Management of Commercial Banks" and its relevant provisions issued by the NFRA since 1 January 2024. Regulatory requirements for capital adequacy ratio of commercial banks includes, among other things, requirements for minimum capital, capital conservation buffer, additional capital surcharge for systemically important banks, countercyclical buffer and Pillar II capital as follows:

— minimum regulatory requirements for Common Equity Tier-one Capital Adequacy Ratio, Tier-one Capital Adequacy Ratio and Capital Adequacy Ratio are 5%, 6% and 8%, respectively;

— capital conservation buffer requires additional 2.5% of Common Equity Tier-one Capital Adequacy Ratio;

— additional capital surcharge for systemically important banks requires additional 1.5% of Common Equity Tier-one Capital Adequacy Ratio;

— should the regulators require countercyclical buffer under particular circumstances or regulators impose additional Pillar II capital requirements for specific banks, these requirements shall be met within the specified time limits.

Capital adequacy and the utilization of regulatory capital are closely monitored by the Group's management in accordance with the guidelines developed by the Basel Committee and relevant regulations promulgated by the NFRA. Required information related to capital levels and utilization is filed quarterly with the NFRA.

48 CAPITAL MANAGEMENT (Continued)

The Group's capital adequacy ratio calculated in accordance with the "Rules on Capital Management of Commercial Banks" issued by the NFRA as at reporting date is as follows:

	Notes	30 June 2025	31 December 2024
Common Equity Tier-one Capital Adequacy Ratio	(1)	**11.11%**	11.42%
Tier-one Capital Adequacy Ratio	(1)	**13.04%**	13.63%
Capital Adequacy Ratio	(1)	**17.45%**	18.19%
Common Equity Tier-one Capital	(2)	**2,680,510**	2,592,674
Deductible Items from Common Equity Tier-one Capital	(3)	**(10,307)**	(10,369)
Net Common Equity Tier-one Capital		**2,670,203**	2,582,305
Additional Tier-one Capital	(4)	**464,558**	499,559
Net Tier-one Capital		**3,134,761**	3,081,864
Tier-two Capital	(5)	**1,059,633**	1,030,789
Net Capital		**4,194,394**	4,112,653
Risk-weighted Assets	(6)	**24,041,565**	22,603,866

As of 30 June 2025, the Group's Common Equity Tier-one Capital Adequacy Ratio, Tier-one Capital Adequacy Ratio and Capital Adequacy Ratio all meet the requirements set forth in the Rules on Capital Management of Commercial Banks and other relevant regulations. For more information regarding capital, please refer to the Pillar 3 Disclosure Report for the First Half of 2025 published by the Bank on official website.

Pursuant to the "Rules on Capital Management of Commercial Banks":

(1) The scope of consolidation related to the calculation of the Group's Capital Adequacy Ratios includes Domestic Institutions, Overseas Institutions and affiliated financial subsidiaries specified in the Regulation.

The Common Equity Tier-one Capital Adequacy Ratio is calculated as Net Common Equity Tier-one Capital divided by Risk-weighted Assets. The Tier-one Capital Adequacy Ratio is calculated as Net Tier-one Capital divided by Risk-weighted Assets. The Capital Adequacy Ratio is calculated as Net Capital divided by Risk-weighted Assets.

(2) The Group's Common Equity Tier-one Capital includes: ordinary share capital, capital reserve (subject to regulatory limitations), surplus reserve, general reserve, retained earnings, cumulative comprehensive income, and non-controlling interests (to the extent permitted in the Common Equity Tier-one Capital under the Regulation).

(3) The Group's Deductible Items from Common Equity Tier-one Capital include: other intangible assets (excluding land-use rights), and deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability).

(4) The Group's Additional Tier-one Capital includes: Additional Tier-one capital instruments and related premium (to the extent allowed under the Regulation), and non-controlling interests (to the extent permitted in the Additional Tier-one Capital definition under the Regulation).

(5) The Group's Tier-two Capital includes: Tier-two capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for impairment losses (to the extent allowed under the Regulation), and non-controlling interests (to the extent permitted in the Tier-two Capital definition under the Regulation).

(6) Risk-weighted Assets include credit risk-weighted assets, market risk-weighted assets, operational risk-weighted assets and risk-weighted assets for switch between trading book and banking book.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS

The majority of the Group's assets and liabilities in the condensed consolidated interim statement of financial position are financial assets and financial liabilities. Fair value measurement of non-financial assets and non-financial liabilities do not have a material impact on the Group's financial position and operations, taken as a whole.

The Group does not have any financial assets or financial liabilities subject to non-recurring fair value measurements for the six months ended 30 June 2025 and the year ended 31 December 2024.

49.1 Valuation technique, input and process

The fair value of the Group's financial assets and financial liabilities are determined as follows:

— If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

— If not traded in active markets, fair values of financial assets and financial liabilities are determined by using valuation techniques. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models.

The Group has established an independent valuation process for financial assets and financial liabilities. The Financial Accounting Department of head office establishes the valuation models for financial assets and financial liabilities of head office and its branches in China and independently implements the valuation on a regular basis; and the Risk Management Department is responsible for validating the valuation model, the Operations Department records the accounting for these items. Overseas branches and sub-branches designate departments or personnel that are independent from the front trading office to perform valuation in accordance with the local regulatory requirements and their own department settings.

The Board of Directors shall be responsible for establishing and improving the internal control system related to the valuation of financial instruments and approving valuation policies.

For the six months ended 30 June 2025, there were no significant changes in the valuation techniques or inputs used to determine fair value measurements.

49.2 Fair value hierarchy

The level in which fair value measurement is categorized is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and

Level 3: fair value measurements are not based on observable market data.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.3 Financial assets and financial liabilities not measured at fair value in the condensed consolidated interim statement of financial position

The tables below summarize the carrying amounts and fair values of those financial assets and financial liabilities not measured in the condensed consolidated interim statement of financial position at their fair value. Financial assets and financial liabilities for which the carrying amounts approximate fair value, such as balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers, receivable from the MOF, special government bond, borrowings from central banks, deposits and placements from banks and other financial institutions, due to customers, financial assets sold under repurchase agreements and certificates of deposit issued, interbank certificates of deposits issued and commercial papers issued are not included in the tables below.

	30 June 2025				
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Debt instrument investments at amortized cost (excluding receivable from the MOF and special government bond)	**9,902,802**	**10,613,685**	**59,197**	**10,509,359**	**45,129**
Financial liabilities					
Bonds issued	**850,123**	**879,774**	**37,051**	**842,723**	**–**

	31 December 2024				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Debt instrument investments at amortized cost (excluding receivable from the MOF and special government bond)	9,463,400	10,199,648	73,827	10,074,667	51,154
Financial liabilities					
Bonds issued	690,922	723,294	40,118	683,176	–

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.4 Financial assets and financial liabilities measured at fair value in the condensed consolidated interim statement of financial position

The tables below summarize the fair values of the financial assets and financial liabilities measured in the condensed consolidated interim statement of financial position at their fair value:

	30 June 2025			
	Level 1	Level 2	Level 3	Total
Derivative financial assets				
— Exchange rate derivatives	–	38,267	–	38,267
— Interest rate derivatives	–	2,717	–	2,717
— Precious metal derivatives and others	–	1,696	–	1,696
Subtotal	–	42,680	–	42,680
Loans and advances to customers				
— Discounted bills and forfeiting	–	2,034,998	–	2,034,998
Subtotal	–	2,034,998	–	2,034,998
Financial investments				
Financial assets at fair value through profit or loss				
— Held for trading				
Bonds	3,445	155,714	–	159,159
Precious metal contracts	–	22,396	–	22,396
Equity	6,634	–	–	6,634
Fund and others	3,108	11,389	–	14,497
— Other financial assets at fair value through profit or loss				
Bonds	1,949	163,205	2,018	167,172
Equity	8,453	3,014	97,276	108,743
Fund and others	–	20,310	22,247	42,557
Subtotal	23,589	376,028	121,541	521,158
Other debt instruments and other equity investments at fair value through other comprehensive income				
— Debt instruments				
Bonds	205,527	3,341,586	–	3,547,113
Others	–	4,982	20	5,002
— Equity instruments	9,573	45	8,524	18,142
Subtotal	215,100	3,346,613	8,544	3,570,257
Total assets	238,689	5,800,319	130,085	6,169,093

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.4 Financial assets and financial liabilities measured at fair value in the condensed consolidated interim statement of financial position (Continued)

The tables below summarize the fair values of the financial assets and financial liabilities measured in the condensed consolidated interim statement of financial position at their fair value: (Continued)

	30 June 2025			
	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Held for trading				
— Financial liabilities related to precious metals	–	**(24,079)**	–	**(24,079)**
Financial liabilities designated at fair value through profit or loss				
— Liabilities of the controlled structured entities	–	**(383)**	**(574)**	**(957)**
Subtotal	–	**(24,462)**	**(574)**	**(25,036)**
Derivative financial liabilities				
— Exchange rate derivatives	–	**(29,915)**	–	**(29,915)**
— Interest rate derivatives	–	**(2,248)**	–	**(2,248)**
— Precious metal derivatives and others	–	**(20,776)**	–	**(20,776)**
Subtotal	–	**(52,939)**	–	**(52,939)**
Due to customers				
Due to customers measured at fair value through profit or loss	–	**(44,118)**	–	**(44,118)**
Total liabilities	–	**(121,519)**	**(574)**	**(122,093)**

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.4 Financial assets and financial liabilities measured at fair value in the condensed consolidated interim statement of financial position (Continued)

The tables below summarize the fair values of the financial assets and financial liabilities measured in the condensed consolidated interim statement of financial position at their fair value: (Continued)

	31 December 2024			
	Level 1	Level 2	Level 3	Total
Derivative financial assets				
— Exchange rate derivatives	–	60,832	–	60,832
— Interest rate derivatives	–	3,500	–	3,500
— Precious metal derivatives and others	–	1,588	–	1,588
Subtotal	–	65,920	–	65,920
Loans and advances to customers				
— Discounted bills and forfeiting	–	1,817,338	–	1,817,338
Subtotal	–	1,817,338	–	1,817,338
Financial investments				
Financial assets at fair value through profit or loss				
— Held for trading				
Bonds	4,196	127,243	–	131,439
Precious metal contracts	–	20,967	–	20,967
Equity	7,174	–	–	7,174
Fund and others	2,384	14,385	–	16,769
— Other financial assets at fair value through profit or loss				
Bonds	2,212	178,611	2,673	183,496
Equity	7,640	3,337	97,867	108,844
Fund and others	–	20,628	23,358	43,986
— Financial assets designated at fair value through profit or loss				
Bonds	631	–	–	631
Subtotal	24,237	365,171	123,898	513,306
Other debt instruments and other equity investments at fair value through other comprehensive income				
— Debt instruments				
Bonds	237,583	3,172,686	–	3,410,269
Others	–	8,340	–	8,340
— Equity instruments	7,085	47	4,423	11,555
Subtotal	244,668	3,181,073	4,423	3,430,164
Total assets	268,905	5,429,502	128,321	5,826,728

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.4 Financial assets and financial liabilities measured at fair value in the condensed consolidated interim statement of financial position (Continued)

The tables below summarize the fair values of the financial assets and financial liabilities measured in the condensed consolidated interim statement of financial position at their fair value: (Continued)

	31 December 2024			
	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Held for trading				
— Financial liabilities related to precious metals	–	(15,254)	–	(15,254)
Financial liabilities designated at fair value through profit or loss				
— Liabilities of the controlled structured entities	–	–	(587)	(587)
Subtotal	–	(15,254)	(587)	(15,841)
Derivative financial liabilities				
— Exchange rate derivatives	–	(46,098)	–	(46,098)
— Interest rate derivatives	–	(2,551)	–	(2,551)
— Precious metal derivatives and others	–	(9,497)	–	(9,497)
Subtotal	–	(58,146)	–	(58,146)
Due to customers				
Due to customers measured at fair value through profit or loss	–	(27,752)	–	(27,752)
Total liabilities	–	(101,152)	(587)	(101,739)

Substantially all financial instruments classified within Level 2 of the fair value hierarchy are debt investments, currency forwards, currency swaps, interest rate swaps, currency options, precious metal contracts, and structured deposit measured at fair value. Fair value of debt investments denominated in RMB is determined based upon the valuation published by the China Central Depository & Clearing Co., Ltd. Fair value of debt investments denominated in foreign currencies is determined based upon the valuation results published by Bloomberg. The fair value of currency forwards, currency swaps, interest rate swaps, currency options and structured deposit measured at fair value are calculated by applying discounted cash flow analysis or the Black Scholes Pricing Model. The fair value of precious metal contracts that are related to the Group's trading activities is determined with reference to the relevant observable market parameters. All significant inputs are observable in the market.

Level 3 financial assets of the Group mainly represented unlisted equity investments. As not all of the inputs needed to estimate the fair value of these assets and liabilities are observable, the Group classified these investment products within Level 3 of the fair value measurement hierarchy. The significant unobservable inputs related to these assets and liabilities are those parameters relating to credit risk, liquidity and discount rate. Management has made assumptions on unobservable inputs based on observed indicators of impairment, significant changes in yield, external credit ratings and comparable credit spreads, but the fair value of these underlying assets and liabilities could be different from those disclosed.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.4 Financial assets and financial liabilities measured at fair value in the condensed consolidated interim statement of financial position (Continued)

The reconciliation of Level 3 classified financial assets and financial liabilities presented at fair value in the condensed consolidated interim statement of financial position is as follows:

	Six months ended 30 June 2025		
	Financial assets at fair value through profit or loss	Other debt instrument and other equity investments at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss
1 January 2025	**123,898**	**4,423**	**(587)**
Purchases	**7,776**	**22**	**–**
Settlements/disposals/transfer out of Level 3	**(9,331)**	**–**	**–**
Total (loss)/gain recognized in			
— Profit or loss	**(802)**	**–**	**13**
— Other comprehensive income	**–**	**4,099**	**–**
30 June 2025	**121,541**	**8,544**	**(574)**
Change in unrealized profit or loss for the period included in profit or loss for assets/ liabilities held at the end of the period	**(905)**	**–**	**–**

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.4 Financial assets and financial liabilities measured at fair value in the condensed consolidated interim statement of financial position (Continued)

	2024		
	Financial assets at fair value through profit or loss	Other debt instrument and other equity investments at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss
1 January 2024	122,485	4,398	(530)
Purchases	21,548	–	(1)
Settlements/disposals/transfer out of level 3	(21,184)	–	–
Total gain/(loss) recognized in			
— Profit or loss	1,049	–	(56)
— Other comprehensive income	–	25	–
31 December 2024	123,898	4,423	(587)
Change in unrealized profit or loss for the year included in profit or loss for assets/ liabilities held at the end of the year	179	–	–

In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the period are presented in net gain on financial investments (Note 9) of the condensed consolidated interim income statement.

50 EVENTS AFTER THE REPORTING PERIOD

50.1 Distribution of dividend on ordinary shares

Upon approval at the 2024 General Meeting, the Group distributed 2024 final cash dividend of RMB0.1255 (tax inclusive) per ordinary share, with a total amount of RMB43,923 million (tax inclusive), to shareholders of ordinary shares on our registers of members after close of the market on 16 July 2025.

50.2 Distribution of dividend on preference shares

On 29 August 2025, the Board of Directors of the Bank considered and approved the Dividend Payment Scheme of the First Tranche of the Preference Shares. On 5 November 2025, the Bank will pay cash dividends of RMB1,648 million (tax inclusive) in aggregate, calculated at a coupon rate of 4.12%.

50.3 Redemption of undated additional tier 1 capital bonds

The Bank issued undated additional tier 1 capital bonds (second tranche) with the amount of RMB35 billion in the national interbank bond market on 20 August 2020, and the issuance was completed on 24 August 2020. The denomination of the Bonds is RMB100 each. The Bank redeemed all bonds on 24 August 2025 at par value.

50.4 Distribution payment of undated additional tier 1 capital bonds

The Bank paid coupon on Agricultural Bank of China Limited 2020 undated additional tier 1 capital bonds (second tranche) on 24 August 2025. With the amount issued of RMB35 billion and the annual coupon rate of 4.50%, the total coupon payment is RMB1,575 million.

The Bank paid coupon on Agricultural Bank of China Limited 2023 undated additional tier 1 capital bonds (first tranche) on 28 August 2025. With the amount issued of RMB40 billion and the annual coupon rate of 3.21%, the total coupon payment is RMB1,284 million.

50.5 Tier 2 capital notes issued

On 24 July 2025, the Bank completed the public issuance of the "Agricultural Bank of China Limited 2025 Tier 2 Capital Notes (Series 2)" in the national interbank bond market. The total amount is RMB60 billion. The proceeds from this issuance of the Notes will be used to boost the Tier 2 capital of the Bank.

50.6 Significant equity investment

In 2024, the Bank entered into the Promoters' Agreement of China Integrated Circuit Industry Investment Fund Phase III Co., Ltd., and proposed to invest RMB21.5 billion into China Integrated Circuit Industry Investment Fund Phase III Co., Ltd. In July 2024, the Bank paid for the first instalment in the amount of RMB1.075 billion. In July 2025, the Bank paid for the second instalment in the amount of RMB1.1825 billion.

51 COMPARATIVES

Certain comparative figures in the notes have been adjusted to conform with changes in disclosures in current period.

According to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Banking (Disclosure) Rules, the Group discloses the following supplementary information:

1 LIQUIDITY COVERAGE RATIOS

	Three months ended	
	30 June 2025	31 March 2025
Average Liquidity Coverage Ratio	**133.9%**	**132.6%**

The liquidity coverage ratios were also in accordance with the Rules on Liquidity Risk Management of Commercial Banks issued by the NFRA and applicable calculation requirements, and based on the data determined under the PRC GAAP.

2 CURRENCY CONCENTRATIONS

	Equivalent in millions of RMB			
	USD	HKD	Other	Total
30 June 2025				
Spot assets	**1,155,378**	**205,741**	**317,526**	**1,678,645**
Spot liabilities	**(1,144,873)**	**(444,119)**	**(242,691)**	**(1,831,683)**
Forward purchases	**2,693,595**	**413,625**	**173,609**	**3,280,829**
Forward sales	**(2,694,157)**	**(146,243)**	**(268,051)**	**(3,108,451)**
Net options position	**(114,047)**	**(2,737)**	**(4,995)**	**(121,779)**
Net (short)/long position	**(104,104)**	**26,267**	**(24,602)**	**(102,439)**
Net structural position	**(3,848)**	**1,591**	**(4,765)**	**(7,022)**
31 December 2024				
Spot assets	1,210,566	152,261	292,792	1,655,619
Spot liabilities	(976,949)	(317,126)	(255,038)	(1,549,113)
Forward purchases	1,805,609	255,770	197,316	2,258,695
Forward sales	(1,984,656)	(58,742)	(253,434)	(2,296,832)
Net options position	(89,925)	683	(5,285)	(94,527)
Net (short)/long position	(35,355)	32,846	(23,649)	(26,158)
Net structural position	(3,687)	4,196	(4,626)	(4,117)

3 OVERDUE AND RESCHEDULED ASSETS

(1) Gross carrying amount of overdue loans and advances to customers

	30 June 2025	31 December 2024
Overdue		
Within 3 months	**106,277**	100,140
Between 3 and 6 months	**56,496**	48,045
Between 6 and 12 months	**64,464**	61,781
Over 12 months	**97,339**	83,131
Total	**324,576**	293,097
Percentage of overdue loans and advances to customers in total loans		
Within 3 months	**0.40%**	0.40%
Between 3 and 6 months	**0.21%**	0.19%
Between 6 and 12 months	**0.24%**	0.26%
Over 12 months	**0.37%**	0.33%
Total	**1.22%**	1.18%

(2) Rescheduled loans and advances to customers

	30 June 2025	31 December 2024
Total rescheduled loans and advances to customers	**126,201**	105,510
Including: rescheduled loans and advances to customers overdue for not more than 3 months	**5,168**	9,298
Percentage of rescheduled loans and advances to customers overdue for not more than 3 months in total loans	**0.02%**	0.04%

(3) Gross carrying amount of overdue placements with and loans to banks and other financial institutions

As at 30 June 2025 and 31 December 2024, the Group's gross carrying amounts of overdue placements with and loans to banks and other financial institutions were not significant.

Independent Auditor's Report



To the shareholders of Agricultural Bank of China Limited

(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Agricultural Bank of China Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 184 to 374, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss, 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 notes to the consolidated financial statements, including a summary of material accounting policies.

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 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA 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.

Measurement of expected credit losses for loans and advances to customers

Refer to the accounting policy in "Note II 8.5 Impairment of financial instruments, Note III 2 Measurement of the expected credit loss allowance", and "Note IV 8 Credit impairment losses, Note IV 17 Loans and advances to customers, Note IV 44.1 Credit risk" to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The Group uses an expected credit loss ("ECL") model to measure the loss allowance for loans and advances to customers in accordance with IFRS 9, Financial instruments. The determination of loss allowance for loans and advances to customers using the expected credit loss model is subject to the application of a number of key parameters and assumptions, including the credit risk staging, probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Extensive management judgement is involved in the selection of those parameters and the application of the assumptions. In particular, the determination of the loss allowance is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The ECL for corporate loans and advances are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The ECL for personal loans are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors.	Our audit procedures to assess ECL for loans and advances to customers included the following: • with the assistance of KPMG's IT specialists, understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and advances to customers, the credit risk staging process and the measurement of ECL for loans and advances to customers. • with the assistance of KPMG's financial risk specialists, assessing the appropriateness of the ECL model in determining loss allowances and the appropriateness of the key parameters and assumptions in the model, which included credit risk staging, probability of default, loss given default, exposure at default, adjustments for forward-looking information and other adjustments, and assessing the appropriateness of related key management judgement. • for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral. As part of these procedures, we assessed management's revisions to estimates and input parameters by comparing with prior period and considered the consistency of judgement. • comparing the macroeconomic forward-looking information used in the model with market information to assess whether they were aligned with market and economic development.

Measurement of expected credit losses for loans and advances to customers (Continued)

Refer to the accounting policy in "Note II 8.5 Impairment of financial instruments, Note III 2 Measurement of the expected credit loss allowance", and "Note IV 8 Credit impairment losses, Note IV 17 Loans and advances to customers, Note IV 44.1 Credit risk" to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include the financial situation of the borrower, the security type, the seniority of the claim, the recoverable amount of collateral, and other repayment sources of the borrower. Management refers to valuation reports of collateral issued by qualified third party valuers and considers the influence of various factors including the market price, status and use when assessing the value of collaterals. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral.	• assessing the completeness and accuracy of data used in the ECL model. For key internal data, we compared the total balance of the loans and advances' list used by management to assess the ECL with the general ledger to check the completeness of the data. We also selected samples to compare individual loan and advance information with the underlying agreements and other related documentation, to check the accuracy of data. For key external data, we selected samples to check the accuracy of data by comparing them with public resources. • for key parameters used in the ECL model which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis. In addition, we involved KPMG's IT specialists to assess the logics and compilation of the loans and advances' overdue information on a sample basis. • evaluating the reasonableness of management's assessment on whether the credit risk of the loan and advance has, or has not, increased significantly since initial recognition and whether the loan and advance is credit-impaired by selecting risk-based samples. We analyzed the portfolio by industry sector to select samples in industries more vulnerable to the current economic situation and selected samples from borrowers with potential credit risk. For selected samples, we checked loan overdue information, making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and researching market information about borrowers' businesses, to check the credit risk status of the borrower, and the reasonableness of the loans' credit risk stage.

Measurement of expected credit losses for loans and advances to customers (Continued)

Refer to the accounting policy in "Note II 8.5 Impairment of financial instruments, Note III 2 Measurement of the expected credit loss allowance", and "Note IV 8 Credit impairment losses, Note IV 17 Loans and advances to customers, Note IV 44.1 Credit risk" to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
We identified the measurement of ECL of loans and advances to customers as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.	• evaluating the reasonableness of loss given default for selected samples of corporate loans and advances to customers that are credit-impaired, by checking the financial situation of the borrower, the security type, the seniority of the claim, the recoverable amount of collateral, and other repayment sources of the borrower. Evaluating management's assessment of the value of any collateral, by comparison with evaluation result based on the category, status, use of the collateral and market prices. For valuation reports of collateral issued by qualified third party, we evaluated the competence, professional quality and objectivity of the external appraiser. We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows, assessed the viability of the Group's recovery plans; based on the above work, we selected samples and assessed the accuracy of calculation for loans and advances' credit losses by using the ECL model. • performing retrospective review of expected credit loss model components and significant assumptions, to back-test past estimates element against actual outcomes, and assess whether the results indicate possible management bias on loss estimation. • assessing the reasonableness of the disclosures in the financial statements in relation to expected credit losses for loans and advances against prevailing accounting standards.

Measurement of interests in and consolidation of structured entities

Refer to the accounting policy in "Note II 2 Consolidation, Note III 5 Consolidation of structured entities", and "Note IV 41 Structured entities" to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire an ownership interest in a structured entity, through initiating, investing or retaining shares in a Wealth Management Products ("WMPs"), securitization products, funds, trust investment plans, debt investment plans and asset management plans. The Group may also retain partial interests in derecognized assets due to guarantees or securitization structures. In determining whether the Group retains any partial interests in a structured entity or should consolidate a structured entity, management is required to consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions. We identified the recognition of interests in and consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and because of the judgement exercised by management in the qualitative assessment of the terms and the nature of each entity.	Our audit procedures to assess the measurement of interests in and consolidation of structured entities included the following: • assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over measurement of interests in and consolidation of structured entities. • selecting significant structured entities of each key product type and performing the following procedures: — inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity; — inspecting the risk and reward structure of the structured entity, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgement as to the exposure, or rights, to variable returns from the Group's involvement in such an entity; — inspecting management's analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity, to assess management's judgement over the Group's ability to affect its own returns from the structured entity; — assessing management's judgement over whether the structured entity should be consolidated or not. • assessing the reasonableness of the disclosures in the financial statements in relation to the measurement of interests in and consolidation of structured entities against prevailing accounting standards.

Measurement of financial instruments' fair value	
Refer to the accounting policy in "Note II 8.3 Determination of fair value, Note III 3 Fair value of financial instruments", and "Note IV 46 Fair value of financial instruments" to the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
Financial instruments carried at fair value account for a significant part of the Group's assets and liabilities. The fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income. The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation models for which use quoted market prices and observable inputs, respectively. Where one or more significant unobservable inputs, such as credit risk, liquidity and discount rate, are involved in the valuation techniques, as in the case of level 3 financial instruments, then estimates need to be developed which can involve extensive management judgements. We identified measurement of financial instruments' fair value as a key audit matter because of the assets and liabilities measured at fair value are material to the Group and the degree of complexity involved in the valuation techniques and the degree of judgement exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess measurement of financial instruments' fair value included the following: • assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the model building, model validation, independent valuation and front office and back office reconciliations for financial instruments. • assessing the level 1 fair value of financial instruments, on a sample basis, by comparing the fair value applied by the Group with publicly available market data. • for level 2 and level 3 financial instruments, on a sample basis, involving KPMG's valuation specialists to assess whether the valuation method selected is appropriate with reference to the prevailing accounting standards. Our procedures included: developing parallel models, obtaining inputs independently and verifying the inputs; assessing the appropriate application of fair value adjustment that form an integral part of fair value, by inquiring of management about any changes in the fair value adjustment methodologies and assessing the appropriateness of the inputs applied; and comparing our valuation results with that of the Group. • assessing the reasonableness of the disclosures in the financial statements in relation to fair value of financial instruments against prevailing accounting standards.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards 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 are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Yuen Shan.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 March 2025

Consolidated Statement of Profit or Loss

For the year ended 31 December 2024
(Amounts in millions of Renminbi, unless otherwise stated)

	Note IV	Year ended 31 December 2024	2023
Interest income	1	**1,275,680**	1,223,698
Interest expense	1	**(694,988)**	(651,948)
Net interest income	1	**580,692**	571,750
Fee and commission income	2	**89,965**	94,710
Fee and commission expense	2	**(14,398)**	(14,617)
Net fee and commission income	2	**75,567**	80,093
Net trading gain	3	**25,505**	23,124
Net gain on financial investments	4	**20,615**	16,764
Net gain on derecognition of financial assets measured at amortized cost		**7,167**	1,038
Other operating income	5	**1,870**	2,699
Operating income		**711,416**	695,468
Operating expenses	6	**(261,180)**	(252,305)
Credit impairment losses	8	**(130,840)**	(135,707)
Impairment losses on other assets		**(267)**	(226)
Operating profit		**319,129**	307,230
Share of results of associates and joint ventures		**72**	189
Profit before tax		**319,201**	307,419
Income tax expense	9	**(36,530)**	(37,599)
Profit for the year		**282,671**	269,820
Attributable to:			
Equity holders of the Bank		**282,083**	269,356
Non-controlling interests		**588**	464
		282,671	269,820
Earnings per share attributable to the ordinary equity holders of the Bank (expressed in RMB yuan per share)			
— Basic and diluted	11	**0.75**	0.72

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024
(Amounts in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2024	2023
Profit for the year	**282,671**	269,820
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income	**55,863**	16,206
Loss allowance on debt instruments at fair value through other comprehensive income	**6,332**	(8,803)
Income tax impact for fair value changes and loss allowance on debt instruments at fair value through other comprehensive income	**(15,326)**	(1,642)
Foreign currency translation differences	**468**	766
Others	**(9,427)**	(2,767)
Subtotal	**37,910**	3,760
Items that will not be reclassified subsequently to profit or loss:		
Fair value changes on other equity investments designated at fair value through other comprehensive income	**1,001**	527
Income tax impact for fair value changes on other equity investments designated at fair value through other comprehensive income	**(248)**	(146)
Others	**50**	–
Subtotal	**803**	381
Other comprehensive income, net of tax	**38,713**	4,141
Total comprehensive income for the year	**321,384**	273,961
Total comprehensive income attributable to:		
Equity holders of the Bank	**322,398**	274,468
Non-controlling interests	**(1,014)**	(507)
	321,384	273,961

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

Consolidated Statement of Financial Position

As at 31 December 2024
(Amounts in millions of Renminbi, unless otherwise stated)

	Note IV	As at 31 December 2024	2023
Assets			
Cash and balances with central banks	12	**2,134,452**	2,922,047
Deposits with banks and other financial institutions	13	**571,956**	1,080,076
Precious metals		**115,253**	54,356
Placements with and loans to banks and other financial institutions	14	**529,767**	516,181
Derivative financial assets	15	**65,920**	24,873
Financial assets held under resale agreements	16	**1,371,571**	1,809,559
Loans and advances to customers	17	**23,977,013**	21,731,766
Financial investments	18		
Financial assets at fair value through profit or loss		**513,306**	547,407
Debt instrument investments at amortized cost		**9,905,633**	8,463,255
Other debt instrument and other equity investments at fair value through other comprehensive income		**3,430,164**	2,203,051
Investment in associates and joint ventures	20	**10,332**	8,386
Property and equipment	21	**154,484**	156,739
Goodwill		**1,381**	1,381
Deferred tax assets	22	**148,009**	160,750
Other assets	23	**308,894**	193,162
Total assets		**43,238,135**	39,872,989
Liabilities			
Borrowings from central banks	24	**847,324**	1,127,069
Deposits from banks and other financial institutions	25	**4,667,561**	3,653,497
Placements from banks and other financial institutions	26	**364,022**	382,290
Financial liabilities at fair value through profit or loss	27	**15,841**	12,597
Derivative financial liabilities	15	**58,146**	27,817
Financial assets sold under repurchase agreements	28	**615,725**	100,521
Due to customers	29	**30,305,357**	28,898,468
Dividends payable	10	**40,738**	—
Debt securities issued	30	**2,678,509**	2,295,921
Deferred tax liabilities	22	**309**	14
Other liabilities	31	**547,330**	477,928
Total liabilities		**40,140,862**	36,976,122

	Note IV	As at 31 December 2024	2023
Equity			
Ordinary shares	32	**349,983**	349,983
Other equity instruments	33	**500,000**	480,000
Preference shares		**80,000**	80,000
Perpetual bonds		**420,000**	400,000
Capital reserve	34	**173,419**	173,425
Other comprehensive income	35	**81,816**	41,506
Surplus reserve	36	**301,841**	273,558
General reserve	37	**532,991**	456,200
Retained earnings		**1,150,758**	1,114,576
Equity attributable to equity holders of the Bank		**3,090,808**	2,889,248
Non-controlling interests		**6,465**	7,619
Total equity		**3,097,273**	2,896,867
Total equity and liabilities		**43,238,135**	39,872,989

Approved and authorized for issue by the Board of Directors on 28 March 2025.

Gu Shu	**Wang Zhiheng**
Chairman	*Vice Chairman*

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024
(Amounts in millions of Renminbi, unless otherwise stated)

	Note IV	Total equity attributable to equity holders of the Bank								Non-controlling interests	Total
		Ordinary shares	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Subtotal		
As at 31 December 2023		349,983	480,000	173,425	41,506	273,558	456,200	1,114,576	2,889,248	7,619	2,896,867
Profit for the year		–	–	–	–	–	–	282,083	282,083	588	282,671
Other comprehensive income		–	–	–	40,315	–	–	–	40,315	(1,602)	38,713
Total comprehensive income for the year		–	–	–	40,315	–	–	282,083	322,398	(1,014)	321,384
Capital contribution and reduction from equity holders	33	–	20,000	(6)	–	–	–	–	19,994	(6)	19,988
Appropriation to surplus reserve	36	–	–	–	–	28,283	–	(28,283)	–	–	–
Appropriation to general reserve	37	–	–	–	–	–	76,791	(76,791)	–	–	–
Dividends paid to ordinary equity holders	10	–	–	–	–	–	–	(121,549)	(121,549)	–	(121,549)
Dividends paid to other equity instruments holders	10	–	–	–	–	–	–	(19,283)	(19,283)	–	(19,283)
Dividends paid to other equity instruments holders of subsidiaries		–	–	–	–	–	–	–	–	(69)	(69)
Dividends paid to non-controlling equity holders		–	–	–	–	–	–	–	–	(65)	(65)
Other comprehensive income transferred to retained earnings		–	–	–	(5)	–	–	5	–	–	–
As at 31 December 2024		349,983	500,000	173,419	81,816	301,841	532,991	1,150,758	3,090,808	6,465	3,097,273
As at 31 December 2022 (Restated)		349,983	440,000	173,426	35,887	246,764	388,600	1,033,403	2,668,063	5,697	2,673,760
Changes in accounting policies		–	–	–	508	–	–	39	547	526	1,073
As at 1 January 2023 (Restated)		349,983	440,000	173,426	36,395	246,764	388,600	1,033,442	2,668,610	6,223	2,674,833
Profit for the year		–	–	–	–	–	–	269,356	269,356	464	269,820
Other comprehensive income		–	–	–	5,112	–	–	–	5,112	(971)	4,141
Total comprehensive income for the year		–	–	–	5,112	–	–	269,356	274,468	(507)	273,961
Capital contribution from equity holders	33	–	40,000	(1)	–	–	–	–	39,999	2,000	41,999
Appropriation to surplus reserve	36	–	–	–	–	26,794	–	(26,794)	–	–	–
Appropriation to general reserve	37	–	–	–	–	–	67,600	(67,600)	–	–	–
Dividends paid to ordinary equity holders	10	–	–	–	–	–	–	(77,766)	(77,766)	–	(77,766)
Dividends paid to other equity instruments holders	10	–	–	–	–	–	–	(16,063)	(16,063)	–	(16,063)
Dividends paid to non-controlling equity holders		–	–	–	–	–	–	–	–	(97)	(97)
Other comprehensive income transferred to retained earnings		–	–	–	(1)	–	–	1	–	–	–
As at 31 December 2023		349,983	480,000	173,425	41,506	273,558	456,200	1,114,576	2,889,248	7,619	2,896,867

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2024
(Amounts in millions of Renminbi, unless otherwise stated)

	Note IV	Year ended 31 December 2024	2023
Cash flows from operating activities			
Profit before tax		**319,201**	307,419
Adjustments for:			
Amortization of intangible assets and other assets		**4,048**	3,406
Depreciation of property, equipment and right-of-use assets, and others		**19,662**	18,897
Credit impairment losses		**130,840**	135,707
Impairment losses on other assets		**267**	226
Interest income arising from investment securities		**(360,219)**	(308,166)
Interest expense on debt securities issued		**71,243**	59,548
Revaluation gain on financial instruments at fair value through profit or loss		**(7,992)**	(3,070)
Net gain on investment securities		**(3,939)**	(2,630)
Share of results of associates and joint ventures		**(72)**	(189)
Net gain on disposal and stocktake of property, equipment and other assets		**(694)**	(1,015)
Net foreign exchange gain		**(4,734)**	(6,188)
		167,611	203,945
Net changes in operating assets and operating liabilities:			
Net decrease/(increase) in balances with central banks, deposits with banks and other financial institutions		**1,031,292**	(634,780)
Net decrease/(increase) in placements with and loans to banks and other financial institutions		**31,502**	(45,145)
Net (increase)/decrease in financial assets held under resale agreements		**(10,515)**	14,134
Net increase in loans and advances to customers		**(2,287,948)**	(2,824,236)
Net (decrease)/increase in borrowings from central banks		**(278,100)**	223,165
Net (decrease)/increase in placements from banks and other financial institutions		**(18,415)**	47,500
Net increase in due to customers and deposits from banks and other financial institutions		**2,350,959**	4,893,673
Increase in other operating assets		**(277,078)**	(139,258)
Increase in other operating liabilities		**712,800**	144,040
Cash from operations		**1,422,108**	1,883,038
Income tax paid		**(69,066)**	(57,756)
Net cash from operating activities		**1,353,042**	1,825,282

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2024
(Amounts in millions of Renminbi, unless otherwise stated)

	Note IV	Year ended 31 December 2024	2023
Cash flows from investing activities			
Cash received from disposal of investment securities		**4,157,585**	2,251,735
Cash received from investment income		**357,544**	299,994
Cash received from disposal of investment in associates and joint ventures		**—**	163
Cash received from disposal of property, equipment and other assets		**7,060**	4,568
Cash paid for purchase of investment securities		**(6,739,427)**	(3,858,350)
Acquisition of non-controlling interests		**(1)**	—
Increase in investment in associates and joint ventures		**(2,075)**	(490)
Cash paid for purchase of property, equipment and other assets		**(24,223)**	(28,827)
Net cash used in investing activities		**(2,243,537)**	(1,331,207)
Cash flows from financing activities			
Contribution from issues of other equity instruments		**140,000**	42,000
Cash payment for redemption of other equity instruments		**(120,000)**	—
Cash payments for transaction cost of other equity instruments issued		**(3)**	(1)
Cash received from debt securities issued		**3,603,148**	3,341,941
Cash payments for transaction cost of debt securities issued		**(16)**	(8)
Repayments of debt securities issued		**(3,182,196)**	(2,886,006)
Cash payments for interest on debt securities issued		**(110,246)**	(89,774)
Cash payments for principal portion and interest portion of lease liability		**(4,831)**	(4,850)
Dividends paid		**(100,228)**	(95,862)
Net cash from financing activities		**225,628**	307,440
Net increase in cash and cash equivalents		**(664,867)**	801,515
Cash and cash equivalents as at 1 January		**2,512,725**	1,705,633
Effect of exchange rate changes on cash and cash equivalents		**(1,246)**	5,577
Cash and cash equivalents as at 31 December	38	**1,846,612**	2,512,725
Net cash flows from operating activities include:			
Interest received		**837,704**	835,165
Interest paid		**(554,747)**	(509,898)

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

I GENERAL INFORMATION

Agricultural Bank of China Limited (the "Bank") is the successor entity to the Agricultural Bank of China (the "Predecessor Entity") which was a wholly state-owned commercial bank approved for setup by the People's Bank of China (the "PBOC") and founded on 23 February 1979 in the People's Republic of China (the "PRC"). On 15 January 2009, the Bank was established after the completion of the financial restructuring of the Predecessor Entity. The Bank's establishment was authorized by the PBOC. The Bank was listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited on 15 July 2010 and 16 July 2010, respectively.

The Bank operates under financial services certificate No. B0002H111000001 issued by the National Financial Regulatory Administration (the former "China Banking and Insurance Regulatory Commission", the "NFRA"), and business license No. 911100001000054748 issued by Beijing Administration of Industry and Commerce. The registered office of the Bank is located at No. 69 Jianguomen Nei Avenue, Dongcheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively, the "Group") include Renminbi ("RMB") and foreign currency deposits, loans, clearing and settlement services, assets custodian services, fund management, financial leasing services, insurance services and other services as approved by relevant regulators, and the provision of related services by its overseas establishments as approved by the respective local regulators.

The head office and domestic branches of the Bank and its subsidiaries operating in Chinese mainland are referred to as the "Domestic Operations". Branches and subsidiaries registered and operating outside Chinese mainland are referred to as the "Overseas Operations".

II SUMMARY OF MATERIAL ACCOUNTING POLICIES

1 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance for this financial year and the comparative period.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of consideration given in exchange for assets and that is received (or in some circumstances the amount expected to be paid) with respect to liabilities.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note III.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.1 Amendments effective in 2024 relevant to and adopted by the Group

The Group has adopted the following IFRS Accounting Standards amendments issued by the IASB that are first effective for the financial year ended 31 December 2024.

		Notes
(1) Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	(i)
(2) Amendments to IAS 1 (2020)	Classification of Liabilities as Current or Non-current	(ii)
(3) Amendments to IAS 1 (2022)	Non-current Liabilities with Covenants	(ii)
(4) Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	(iii)

(i) Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

The amendments add to the requirements explaining how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right-of-use it retains, including cases with variable lease payments in the leaseback. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

(ii) Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

The amendments to IAS 1 (2020) concern the requirements on determining if a liability is current or non-current. In particular, the amendments specify the condition of an entity to classify a liability as non-current requires that a right to defer settlement must exist at the end of the reporting period and have substance, and clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement.

The amendments also specify the classification of liabilities that will or may be settled by issuing an entity's own equity instruments. When a liability includes a counterparty conversion option that involves a transfer of the entity's own equity instruments, the classification of such liability is not affected only when the conversion option is recognized separately from the host liability as an equity component under IAS 32.

The amendments to IAS 1 (2022) specify that only covenants with which an entity must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the entity must comply after the reporting date (i. e. future covenants) do not affect a liability's classification at that date. However, an entity is required to disclose information regarding the risk that the non-current liabilities subject to future covenants could become repayable within twelve months after the end of the reporting period.

The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.1 Amendments effective in 2024 relevant to and adopted by the Group (Continued)

(iii) Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements

The amendments introduce disclosure requirements to enhance transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

1.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2024

The Group has not adopted the following standards and amendments that have been issued by the IASB but are not yet effective.

		Effective for annual periods beginning on or after	Notes
(1) Amendments to IAS 21	Lack of Exchangeability	1 January 2025	(i)
(2) Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	1 January 2026	(ii)
(3) Annual Improvements to IFRS Accounting Standards	Volume 11	1 January 2026	(iii)
(4) Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity	1 January 2026	(iv)
(5) IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027	(v)
(6) IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027	(vi)
(7) Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The effective date has been deferred indefinitely	(vii)

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2024 (Continued)

(i) Amendments to IAS 21: Lack of Exchangeability

The amendments specify when a currency is exchangeable into another currency and when it is not, and how an entity determines a spot rate when a currency lacks exchangeability.

Under the amendments, entities are required to provide additional disclosures to help users evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(ii) Amendments to IFRS 9 and IFRS 7: Classification and Measurement of Financial Instruments

On 30 May 2024, the IASB issued amendments to IFRS 9 and IFRS 7, which include requirements on clarifying the classification of financial assets with environmental, social or governance ("ESG") targets and similar features, the settlement of liabilities through electronic payment systems, and disclosures regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent feature. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(iii) Annual Improvements to IFRS Accounting Standards – Volume 11

On 18 July 2024, the IASB published the Annual Improvements to IFRS Accounting Standards – Volume 11, which contains narrow amendments to IFRS Accounting Standards and accompanying guidance as part of its regular maintenance of the Standards. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(iv) Amendments to IFRS 9 and IFRS 7: Contracts Referencing Nature-dependent Electricity

On 18 December 2024, the IASB issued targeted amendments – Contracts referencing nature-dependent electricity (Amendments to IFRS 9 and IFRS 7), which include guidance on clarifying the application of the "own-use" requirements; permitting hedge accounting if these contracts are used as hedging instruments; and adding new disclosure requirements. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2024 (Continued)

(v) IFRS 18: Presentation and Disclosure in Financial Statements

On 9 April 2024, the IASB issued IFRS 18, which aims to improve the transparency and comparability of information about an entity's financial performance by introducing a more structured income statement, enhancing disclosures on management-defined performance measures, and enhancing requirements on aggregation and disaggregation of information. The Group is evaluating the impact of the standards.

(vi) IFRS 19: Subsidiaries without Public Accountability: Disclosures

On 5 May 2024, the IASB issued IFRS 19, which allows subsidiaries that do not have public accountability and have its parent producing consolidated financial statements that are available for public use under IFRS Accounting Standards to apply IFRS 19 with reduced disclosures. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(vii) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

2 Consolidation

Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiaries as well as structured entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date of acquisition or up to the date on which control ceases, respectively.

Adjustments are made to the financial statements of subsidiaries, where appropriate, to consistently reflect the accounting policies of the Group.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

***Basis of consolidation** (Continued)*

When merging, all intra-group transactions, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests of consolidated subsidiaries are presented separately from the controlling party's equity therein.

The carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Further, total comprehensive income of a subsidiary is attributed, based on the proportion of their respective holdings, to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost, less impairment losses, if any.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognized in the consolidated statement of profit or loss as incurred.

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognized at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 – Income Taxes and IAS 19 – Employee Benefits, respectively.

Non-controlling interests that represent ownership interests in the acquiree, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are accounted for at either fair value or the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Goodwill

Goodwill represents the excess of the cost of an acquisition less the fair value of the Group's share of the net identifiable assets of acquired subsidiaries and associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") or groups of CGUs that is expected to benefit from the synergies of the business combination.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

***Goodwill** (Continued)*

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount, the deficit, reflecting an impairment loss, is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis, based on the carrying amount of each asset in the CGU. Any goodwill impairment loss is recognized directly in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Investment in associate and joint venture

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement through a separate entity, and have rights to the net assets of the arrangement based on legal form, contract terms, and other facts and circumstances. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control or joint control over those policy decisions. Joint control is the contractually agreed sharing of control over an activity, and exists only when the decisions relating to the activity require the unanimous consent of the Group and other parties sharing the control.

The post-acquisition profit or loss of an associate or a joint venture is incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate or a joint venture is initially recognized at cost and adjusted thereafter to recognize the Group's share of the net assets of the associate or joint venture. When the Group's share of loss of an associate or a joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further loss. Additional loss is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

At the end of each reporting period, the Group considers whether there are circumstances that indicate the possibility of impairment of the Group's investment in an associate or a joint venture; when that is the case, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 – Impairment of Assets, as a single asset by comparing its recoverable amount (the higher of fair value less costs to sell and value in use) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of an impairment loss is recognized in accordance with IAS 36, to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with the Group's associate or joint venture, profits and losses resulting from the transaction are recognized in the Group's consolidated financial statements only to the extent of the interest in the associate or joint venture that are not related to the Group. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

3 Interest income and expenses

Interest income and expenses of financial instruments are calculated using the effective interest method and included in the current profit and loss.

The Group uses the effective interest method to calculate the interest income and expense of financial assets and liabilities measured at amortized cost or at fair value through other comprehensive income, presented as "interest income" and "interest expense" respectively. For specific accounting policies, please refer to the Note II 8.4 subsequent measurement of financial instruments.

4 Fee and commission income

Fee and commission income is recognized when the Group fulfills its performance obligation, either over time or at a point in time when a customer obtains control of the service.

For the performance obligations satisfied at a point in time, the Group recognizes revenue when control is passed to the customer at a certain point in time, including insurance agency fee, merchant acquiring service fee, settlement & clearing services and bond underwriting fee, etc. For the performance obligations satisfied over time, the Group recognizes revenue according to the progress toward satisfaction of the obligation over the time, including consultancy and advisory fee and custodian fee, etc.

5 Foreign currency translation

The functional currency of the Group's Domestic Operations is RMB. The presentation currency of the Group and the Bank is RMB.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i. e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in the consolidated statement of profit or loss in the period in which they arise, except for the following:

(i) exchange differences arising on a monetary item that forms part of the Bank's net investment in the Overseas Operations;

(ii) changes in the fair value of monetary assets denominated in foreign currency classified as financial investments at fair value through other comprehensive income are analyzed between translation differences resulting from changes in the amortized cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortized cost are recognized in the consolidated statement of profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

5 Foreign currency translation (Continued)

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's Overseas Operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the foreign currency translation reserve and non-controlling interests, as appropriate. The accumulated foreign currency translation reserve related to the Overseas Operations will be reclassified from equity to the consolidated statement of profit or loss on disposal of all or part of the Overseas Operations.

6 Taxation

Income tax comprises current and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

The Group has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

6 Taxation (Continued)

Deferred tax *(Continued)*

If a single transaction is not a business combination, neither accounting profit nor taxable income (or deductible loss) is affected at the time of the transaction, and the assets and liabilities initially recognized do not result in an equal amount of taxable temporary differences and deductible temporary differences, then the temporary differences arising from the transaction will not generate deferred tax. The temporary differences resulting from the initial recognition of goodwill also do not generate the associated deferred tax.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that the temporary difference will not reverse in the foreseeable future or it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Value-added Taxes ("VAT")

The Group mainly provides financial services such as loan services, direct-charge financial services, insurance services and transfer of financial commodities, which are subject to the VAT rate of 6%. For other services, VAT is calculated and paid in accordance with the tax rates stipulated in the tax law.

Pursuant to the "Circular of the Ministry of Finance and the State Administration of Taxation on Further Clarification of Relevant Policies Applicable to the Financial Sector in the Comprehensive Implementation of the VAT Pilot Programs" (Cai Shui [2016] No. 46), the Bank elected to adopt a simplified methodology to calculate VAT at 3% on interest income derived from loans granted to farming households, rural enterprises and other rural institutions by county-level sub-branches included in the Bank's pilot programs of the County Area Banking Division, including those under the Bank's provincial branches in provinces, autonomous regions, municipalities directly under the central government and municipalities with independent budgetary status as well as those under the Xinjiang Production and Construction Corps Branch.

In accordance with the Ministry of Finance (the "MOF") and the State Administration of Taxation's "Circular regarding the Value-added Taxes Policies for Financial, Real Estate Development and Education Ancillary and Other Services" (Cai Shui [2016] No. 140), the "Supplementary Circular regarding Issues concerning Value-added Taxes Policies for Asset Management Products" (Cai Shui [2017] No. 2) and the "Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products" (Cai Shui [2017] No. 56), the Group shall pay VAT at 3% for taxable asset management activities undertaken after 1 January 2018.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

7 Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditure incurred by the Group in exchange for services rendered by employees or for termination of the employment contracts. These benefits include short-term employee benefits, post-employment benefits and early retirement benefits.

Short-term employee benefits

Short-term employee benefits include salaries, bonuses, allowances and subsidies, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds as well as labor union fees and staff education expenses. In the reporting period in which an employee has rendered services, the Group recognizes the short-term employee benefits payable for those services as a liability with a corresponding increase in the expenses in the consolidated statement of profit or loss or capitalization as cost of related assets.

Post-employment benefits

The Group's post-employment benefits are primarily the payments for basic pensions and unemployment insurance related to government mandated social welfare programs, as well as the annuity scheme established. All these post-employment benefits are defined contribution plans, under which, the Group makes fixed contributions into a separate fund and will have no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods.

Contributions to the basic pensions and unemployment insurance plan are recognized in the consolidated statement of profit or loss for the period or capitalization as cost of related assets in which the related payment obligation is incurred.

The employees of the Bank's head office and domestic branches ("Domestic Institutions") participate in an annuity scheme established by the Bank (the "Annuity Scheme"). The Bank pays annuity contributions with reference to employees' salaries, and such contributions are expensed in the consolidated statement of profit or loss or capitalized as cost of related assets when incurred. Except for the fixed contribution into the Annuity Scheme, the Bank has no further obligation if the Annuity Scheme does not have sufficient assets for the payment of any retirement benefits to employees funded by the Annuity Scheme.

Early retirement benefits

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date, as approved by management. The related benefit payments are made from the date of early retirement to the normal retirement date.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

7 Employee benefits (Continued)

Early retirement benefits *(Continued)*

The accounting treatment of the Group's early retirement benefits is in accordance with termination benefits as determined in IAS 19. The liability is recognized for the early retirement benefit payments from the date of early retirement to the normal retirement date when the criteria for recognition as termination benefit is met with a corresponding charge in the consolidated statement of profit or loss. Differences arising from changes in assumptions and adjustments of the standards of benefits are recognized in the consolidated statement of profit or loss when incurred.

8 Financial instruments

8.1 Initial recognition, classification and measurement of financial instruments

Financial assets or financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

For purchases or sales of financial assets in a regular way, the related assets and liabilities are recognized or sold assets are derecognized at the trade date, along with the recognition of gains or losses on disposal and the receivables due from the buyer. The trade date is the date on which the Group commits to purchase or sell the financial asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. For other classes of financial assets or financial liabilities, the relevant transaction costs are included in the initial recognized value.

(1) Financial assets

Financial assets are classified in the following measurement categories based on the Group's business model for managing the assets and the cash flow characteristics of the assets:

(i) Amortized cost ("AC");

(ii) Fair value through other comprehensive income ("FVOCI"); or

(iii) Fair value through profit or loss ("FVPL").

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e. g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the group of asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.1 Initial recognition, classification and measurement of financial instruments (Continued)

(1) Financial assets (Continued)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i. e. interest includes consideration for the time value of money, credit risk associated with the principal amount outstanding during a particular period of time, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The classification requirements for debt instruments and equity instruments in the Group are described as below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds. Classification and measurement of debt instruments depend on the Group's business models for managing the asset and the cash flow characteristics of the asset.

Based on these factors, the debt instruments of the Group are classified into three categories below:

(i) AC: Debt instruments that are held within a business model whose objective is to hold assets to collect contractual cash flows; and contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and that are not designated as at FVPL, are measured at amortized cost.

(ii) FVOCI: Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and that are not designated as at FVPL, are measured at FVOCI.

(iii) FVPL: All financial assets not classified as measured at AC or FVOCI as described above are measured at FVPL.

The Group may also irrevocably designate financial assets as at FVPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.1 Initial recognition, classification and measurement of financial instruments (Continued)

(1) Financial assets (Continued)

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective referring to Note II 8.9, and examples of equity instruments include basic ordinary shares. The Group subsequently measures all equity investments at FVPL, except for the equity investment not held for trading where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment as at FVOCI.

(2) Financial liabilities

The Group's financial liabilities are classified into financial liabilities at FVPL and other financial liabilities carried at amortized cost on initial recognition. Financial liabilities at FVPL is applied to derivatives, financial liabilities held for trading and financial liabilities designated as such at initial recognition.

The Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either:

(i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel.

Once the designation is made, it shall not be revoked.

Financial liabilities arising from the transfer of financial assets which do not qualify for derecognition, if the enterprise retains substantially all the risks and rewards of the ownership of the transferred financial asset and does not qualified for derecognition, the Group shall continue to recognize the transferred financial asset in its entirety and recognize a financial liability for the consideration received. In applying the continued involvement approach of accounting, please refer to the Note II 8.7 Derecognition of financial assets for the measurement of the transferred liability.

8.2 Reclassification of financial assets

When the Group changes the business model for managing its financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.3 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. Active market is a place in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. In an active market, the quoted prices of relevant assets or liabilities should be readily and regularly available from exchanges, dealers, brokers, industry groups, pricing institutions or regulatory institutions by the enterprise. The current market may not be active when there is a significant decline in the volume of transaction or level of activity, price quotations vary substantially either over time or among market-makers and current prices are not available. For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, fair value of other financial instruments that are substantially the same, discounted cash flow analysis, option pricing models and other techniques commonly used by market participants. When measuring the asset or liability at fair value, the Group shall use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value, select inputs that are consistent with the characteristics of the asset or liability that market participants would take into account in a transaction for the asset or liability. These valuation techniques include the use of observable and/or unobservable inputs, and observable inputs are preferred.

8.4 Subsequent measurement of financial instruments

Subsequent measurement of financial instruments depends on the categories:

(1) Financial assets and liabilities measured at amortized cost

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount; (iii) for financial assets, adjusted for any loss allowance. Interest income and interest expenses from these financial assets and liabilities are included in "interest income" and "interest expense" using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i. e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses ("ECL") but includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ("POCI") financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.4 Subsequent measurement of financial instruments (Continued)

(1) Financial assets and liabilities measured at amortized cost (Continued)

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is included in "interest income", except for:

(i) POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost; and

(ii) financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost (i. e. net of the expected credit loss allowance). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

(2) Financial assets at fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue calculated by using the effective interest method and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in "interest income" using the effective interest method.

Equity instruments

The equity instrument investments that are not held for trading are designated as FVOCI. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as investment income when the Group's right to receive payments is established. Other net gains or losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(3) Financial assets at fair value through profit or loss

The financial asset is measured at fair value and net gains or losses are recognized in profit or loss of the current period.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.4 Subsequent measurement of financial instruments (Continued)

(4) Financial liabilities at fair value through profit or loss

Financial liabilities at FVPL are measured at fair value with all gains or losses recognized in profit or loss of the current period, except for financial liabilities designated as at fair value through profit or loss, where gains or losses on the financial liabilities are treated as follows:

(i) changes in fair value of such financial liabilities due to changes in the Group's own credit risk are recognized in other comprehensive income; and

(ii) other changes in fair value of such financial liabilities are recognized in profit or loss of the current period. If the accounting of changes in the credit risk of the financial liabilities in accordance with (i) will create or enlarge accounting mismatches in profit or loss, the Group recognizes all gains or losses on such financial liabilities (including amounts arising from changes in its own credit risk) in the profit or loss of the current period.

When the liabilities designated as at fair value through profit or loss is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to retained earnings.

8.5 Impairment of financial instruments

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI and exposures arising from some loan commitments and financial guarantee contracts.

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, which are all cash shortfalls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

The Group measures ECL of a financial instrument reflecting:

(i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(ii) the time value of money; and

(iii) 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.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.5 Impairment of financial instruments (Continued)

For financial instruments whose impairment losses are measured using the ECL models, the Group applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

— Stage I: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in Stage I.

— Stage II: If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is moved to Stage II. The description of how the Group determines when a significant increase in credit risk has occurred is disclosed in Note IV 44.1.

— Stage III: If the financial instrument is credit-impaired, the financial instrument is then moved to Stage III. The definition of credit-impaired financial assets is disclosed in Note IV 44.1.

Financial instruments in Stage I have their ECL measured at an amount equivalent to the ECL of the financial asset for the next 12 months ("12 months ECL"). Financial instruments in Stage II or Stage III have their ECL measured at an amount equivalent to the ECL over the lifetime of the financial instruments ("Lifetime ECL"). The description of inputs, assumptions and estimation techniques used in measuring the ECL is disclosed in Note IV 44.1.

For accounts receivable, lease receivables and contract assets, the Group always recognize lifetime expected credit losses. The Group uses provision matrix based on its historical credit loss experience for above-mentioned financial assets to estimate ECLs. The historical credit experience is appropriately adjusted to reflect the specific factors of borrowers, current events and forecast future conditions as at reporting date.

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognized in other comprehensive income and the impairment loss is recognized in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

If the Group has measured the loss allowance for a financial instrument other than POCI at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the financial instrument is no longer regarded as experiencing a significant increase in credit risk since initial recognition, the Group measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date and the amount of expected credit losses reversal is recognized in profit or loss. For POCI financial assets, at the reporting date, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.6 Modification of contracts

The Group sometimes renegotiates or otherwise modifies contracts, resulting in a change to the contractual cash flows. When this happens, the Group assesses whether the new terms are substantially different to the original terms.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

8.7 Derecognition of financial assets

Financial asset is derecognized when one of the following conditions is met: (i) the Group's contractual rights to the cash flows from the financial asset expire; (ii) the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or (iii) the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

The financial asset has been transferred, if the Group neither transfers nor retains substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset, whereby the related liability is recognized accordingly.

On derecognition of a financial asset in its entirety, the difference between the sum of the consideration received for the part derecognized any cumulative amount of fair value recognized in other comprehensive income (if the transfer involves any other debt instrument investments measured at fair value through other comprehensive income) and the carrying amount allocated to the part derecognized on the date of derecognition shall be included in profit and loss for the current period.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.8 Derecognition of financial liabilities

A financial liability is removed when the obligation specified in the contract is discharged or cancelled or expires in whole or in part. An exchange between the Group and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss.

8.9 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met: (i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and (ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity instruments issued by the Group are included in equity at the actual issue price, and the relevant transaction costs shall be deducted from equity (capital reserve). If the capital reserve is insufficient to cover the deduction, the remaining amount shall be sequentially offset against the surplus reserve and retained earnings.

8.10 Derivative financial instruments and hedge accounting

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of the reporting period. The changes in fair value are recognized in profit or loss.

The Group accounts for hedge businesses that are eligible and choose to use hedge accounting in accordance with applicable accounting standards. The Group documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, 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.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.10 Derivative financial instruments and hedge accounting (Continued)

(a) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized 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 or other comprehensive income.

The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in profit or loss or other comprehensive income, together with the changes in fair value of the hedged item attributable to the hedged risk.

Any adjustment of the carrying amount arising from the recognition of hedging gains or losses of the hedged item shall be amortized to profit or loss if the hedged item is a financial instrument measured at amortized cost.

The Group discontinues fair value hedge accounting when the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised. If the hedged items are derecognized, the unamortized adjustment of the carrying amount is recognized in profit or loss.

(b) 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 recognized asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction that could ultimately affect the profit or loss.

The effective portion of the net gains and losses of hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in equity in the "other comprehensive income". The ineffective portion is recognized immediately in the profit or loss.

Amounts accumulated in other comprehensive income are reclassified to the profit or loss in the same periods when the hedged item affects the profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized in the periods when the hedged item affects profit or loss. When the hedged future cash flows are no longer expected to occur (for example, the recognized hedged asset is disposed of), the cumulative gain or loss previously recognized in other comprehensive income is immediately reclassified to profit or loss.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.11 Embedded derivative financial instruments

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

(i) Their economic characteristics and risks are not closely related to those of the host contract;

(ii) A separate instrument with the same terms would meet the definition of a derivative; and

(iii) The hybrid contract is not measured at fair value through profit or loss.

Where an embedded derivative is separated from a hybrid contract, the Group accounts for the host contract of the hybrid contract in accordance with the applicable accounting standards. Where the fair value of the embedded derivative is unable to be reliably measured on the basis of the terms and conditions, the fair value of the embedded derivative is determined as the difference between the fair value of the hybrid contract and the fair value of the host contract. If, after using the above method, the fair value of the embedded derivative at the acquisition date or at the end of a subsequent financial reporting period is still unable to separately measured, the Group designates the entire hybrid contract as a fair value through profit or loss.

8.12 Offsetting financial assets and financial liabilities

When the Group has a legal right to set off the recognized amounts and the legal right is currently enforceable, and the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position. Otherwise, financial assets and liabilities shall be settled respectively but not offset each other. The legally enforceable right of set-off must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

8.13 Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognized. They continue to be recorded as investments classified as financial assets before sale or loan. The corresponding liability is included in financial assets sold under repurchase agreements. The items which are not derecognized are disclosed in Note IV 42 Contingent liabilities and commitments – Collateral.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.13 Financial assets held under resale agreements and financial assets sold under repurchase agreements (Continued)

Consideration paid for financial assets held under agreements to resell are recorded as financial assets held under resale agreements, the related financial assets accepted is not recognized in the consolidated statement of financial position (Note IV 42 Contingent liabilities and commitments – Collateral).

The difference between the purchase and sale price is recognized as gain or loss in profit or loss of the current period using the effective interest method.

9 Insurance contracts

Level of aggregation

Insurance contracts and investment contracts with DPF are aggregated into groups for measuring purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Each portfolio is divided into annual cohorts (i. e. by year of issue) and contracts in different product lines are expected to be in different groups. Each annual cohorts are divided into three groups:

- Any contracts that onerous on initial recognition;
- Any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- Any remaining contracts in the annual cohort.

When a contract is recognized, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group in which future contracts may be added.

Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the Group.

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and investment services).

For investment contracts with DPF, the cash flows are within the contract boundary if they result from a substantive obligation of the Group to deliver cash at a present or future date.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

9 Insurance contracts (Continued)

Measurement – Insurance contracts and investment contracts with DPF

On initial recognition, the Group measures a group of contracts as the total of (a) fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM. The fulfilment cash flows of a group of contracts do not reflect the Group's non-performance risk.

Subsequently, the carrying amount of a group of contracts at each reporting date is the sum of the liability of remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the Group belongs. Insurance acquisition cash flows are allocated to groups of contracts using systematic and rational methods based on the total premiums of each group.

Insurance acquisition cash flows that arise before the recognition of the related contracts are recognized as separate assets and tested for recoverability, whereas other insurance acquisition cash flows are included in the estimate of the present value of future cash flows as part of the measurement of the related contracts.

10 Precious metals

Precious metals comprise gold, silver and other precious metals.

Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realizable value. Precious metals that are related to the Group's trading activities are initially recognized at fair value and subsequent changes in fair value are recognized in profit or loss.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

11 Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress) are presented in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property and equipment.

Subsequent expenditure incurred for the property and equipment (other than construction in progress) is included in the cost of the property and equipment (other than construction in progress) if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be reliably measured, and the carrying amount of the replaced part is derecognized. Other subsequent expenditure is recognized in profit or loss in the period in which it is incurred.

Depreciation is recognized as a component of operating expenses in the consolidated statement of profit or loss so as to recognize the consumption of the economic value of property and equipment (other than construction in progress), less their estimated residual values, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation rates are reviewed at the end of each reporting period.

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

Classes	Useful lives	Estimated residual value rates	Annual depreciation rates
Buildings	5–50 years	3%	1.94%–19.40%
Machinery and equipment	3–11 years	3%	8.82%–32.33%
Motor vehicles	5–8 years	3%	12.13%–19.40%

Properties in the course of construction for supply of services or administrative purposes are carried at cost, as construction in progress, less any impairment loss. Buildings, machinery and equipment under construction in progress are reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its continued use. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in other operating income or operating expenses in the consolidated statement of profit or loss. The accounting policies of impairment of property and equipment are included in Note II 17 Impairment of non-financial assets other than goodwill.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

12 Land use rights

Land use rights are classified in other assets and amortized over a straight-line basis over their authorized useful lives.

13 Foreclosed assets

The Group initially recognizes at fair value the foreclosed financial assets. Non-financial foreclosed assets are initially recognized at the fair value of the rights given up by creditors and other costs such as taxes directly attributable to the asset.

When the debtor pays off the debts with multiple assets or in form of restructuring arrangement, the Group firstly recognizes and measures the foreclosed financial assets and restructured rights according to provision illustrated in Note II 8.1 Initial recognition, classification and measurement of financial instruments. The net amount, of the fair value of the rights given up by creditor deducted the initial amount recognized for the transferred financial assets and restructured rights, should be distributed in accordance with the proportion of the fair value of each non-financial asset. The distributed amount should be recognized as the initial book value of each non-financial foreclosed assets.

The difference between the fair value and book value of the rights given up by creditor is recorded in profit and loss.

14 Investment property

Investment property is property held to earn rental income or for capital appreciation, or both.

Investment properties are measured using the cost model. Depreciation and amortization is recognized the same way as property and equipment and land use rights. Subsequent expenditure incurred for the investment property is included in the cost of the investment property if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured reliably. Other subsequent expenditure is recognized in profit or loss in the period in which it is incurred.

The accounting policies of impairment of investment property are included in Note II 17 Impairment of non-financial assets other than goodwill.

Where an impairment loss subsequently reverses, the carrying amount of the investment property is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognized. A reversal of an impairment loss is recognized in profit or loss.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal, net of the carrying amount and related taxes, in profit or loss.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

15 Leasing

Lease is a contract or part of a contract that conveys the right to use an asset for a period of time in exchange for consideration.

The Group as lessee

The Group recognized the right-of-use assets at the commencement date, and recognized the lease liabilities at the present value of the outstanding lease payments. Lease payments include fixed payments, the amounts expected to be payable by the Group if the Group is reasonably certain to exercise a purchase option or an option to terminate the lease. Variable lease payments not included in the measurement of the lease liability are recognized as an expense in profit or loss when incurred.

The right-of-use assets of the Group are measured at costs, which include the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date, any initial direct costs and less any lease incentives received. If the Group could reasonably determine the ownership of the leased asset when the lease term expires, the right-of-use assets are depreciated over the asset's remaining useful life. Otherwise, the right-of-use assets are depreciated over the shorter period of the asset's useful life and the lease term on a straight-line basis. When the recoverable costs of right-of-use assets are lower than the carrying amount, the value of right-of-use assets will be decreased down to the recoverable costs.

The Group chooses not to recognize the right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and the rental expenses are recognized as expense in profit or loss on a straight-line basis over each period of the lease term. Short-term leases are leases with a lease term of 12 months or less. Leases of low value assets are the underlying assets are of low value when new.

The Group as lessor

When the Group is the lessor in a finance lease, a finance lease receivable as an amount equal to the net lease investment is recognized and the finance lease asset is derecognized at the commencement date. The finance lease receivables are recorded in the consolidated statement of financial position as loans and advances to customers.

When the Group is the lessor in an operating lease, rental income from operating leases is recognized as other operating income in the consolidated statement of profit or loss on a straight-line basis over the term of the related lease. The initial direct costs are included in the carrying amount of the underlying assets and is recognized as expenses over the lease term on the same basis as the lease income.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

16 Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment loss. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives which generally range from 5 to 20 years.

Intangible assets with indefinite useful lives are not amortized, but are subject to annual impairment assessment.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss.

Expenditure incurred for an internal research and development project is recorded as expenditure on the research phase and development phase by the Group, respectively. The classification criterion is the submission of Project Plan (Definition of project objectives). Projects with incomplete submissions are in the research phase and those with completed submissions are in the development phase. Expenditure on the research phase is recognized in profit or loss for the period in which it occurs. Expenditure on the development phase is capitalized only when the following conditions are satisfied:

(1) It is technically feasible to complete the intangible asset so that it will be available for use or sale;

(2) The Group intends to complete the intangible asset and use or sell it;

(3) The Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

(4) There are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;

(5) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

Expenditure on the development phase which does not satisfy all of the above conditions is recognized in profit or loss in the period in which it is incurred.

The Group capitalizes eligible projects in accordance with relevant regulations. The scope of capitalized research and development expenditure includes capitalized staff costs and outsourcing service fees generated during the development phase of research and development projects that satisfy capitalization conditions. Among which, capitalized staff costs refer to the salary and employee benefits of own staff generated during the development phase of research and development projects that satisfy capitalization conditions. The salary and employee benefits mainly include salaries, employee benefits, labor insurance, housing funds, and annuity scheme, etc.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

17 Impairment of non-financial assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated statement of profit or loss.

18 Cash and cash equivalents

Cash and cash equivalents are short-term and highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents include cash and assets with original maturity of three months or less under cash and balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

19 Dividend distribution

Dividend distribution to the Bank's ordinary equity holders is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the annual general meeting of the Bank.

As authorized by the annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. Preference share dividend distribution is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the Board of Directors of the Bank.

20 Contingent liabilities and provisions

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

20 Contingent liabilities and provisions (Continued)

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

21 Fiduciary activities

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with custody agreements between the Group and securities investment funds, social security funds, insurance companies, trust companies, qualified foreign institutional investors, annuity schemes and other institutions and individuals. The Group receives fees in return for its services provided under the custody agreements and does not have any interest in the economic risks and rewards related to assets under custody. Assets under custody are not recognized in the Group's consolidated statement of financial position.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the loan object, purpose, amount, interest rate and repayment plan determined by the principal. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered and does not assume the economic risks and rewards of the entrusted loans. The entrusted loans and funding for entrusted funds are not recognized in the Group's consolidated statement of financial position.

22 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 incurred because a specified debtor fails to make payment when due, in accordance with the original or revised terms of a debt instrument.

Financial guarantees are initially recognized 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 amortization of guarantee fees, and the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is recognized in profit or loss.

The impairment allowance of loan commitments provided by the Group is measured using ECL models. 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.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

22 Financial guarantee contracts and loan commitments (Continued)

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognized as a provision.

23 Related parties

The Group determines the Group's related parties in accordance with IFRS Accounting Standards and other relevant provisions.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in Note II, management is required to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities. The judgements, estimates and related assumptions are based on historical experience and other relevant factors including reasonable expectations for future events.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods as appropriate.

The following are the critical judgements and key estimates management has made in the process of applying the Group's accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

1 Classification of financial assets

The critical judgements the Group has made in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows.

The Group determines the business model for managing financial assets at the level of financial asset portfolio. The factors considered include how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

When assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group has the following main judgements: whether the principal may be subject to change in the duration or amount of money due to prepayments during the duration; whether interests only included time value of money, credit risk, other basic borrowing risks, and considerations for costs and profits. For example, whether the amount paid in advance reflect only the outstanding principal and interest on the outstanding principal, as well as reasonable compensation for early termination of the contract.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

2 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI and for exposures arising from some loan commitments and financial guarantee contracts, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note IV 44.1 Credit risk.

3 Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models. To the extent practical, market observable inputs and data, such as interest rate yield curves, foreign currency rates and implied option volatilities, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, liquidity, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

With respect to PRC government obligations related to large-scale policy directed financing transactions, fair value is determined using the stated terms of the related instrument and with reference to terms determined by the PRC government in similar transactions engaged in or directed by the PRC government. In this regard, there are no other relevant market prices or yields reflecting arm's length transactions of a comparable size and tenor.

4 Deferred taxes

There are certain transactions and activities in the ordinary course of the Group's business for which the ultimate tax effect is uncertain. The Group made certain estimation and judgement for items of uncertainty in the application of tax legislations, taking into account existing tax legislation and past practice of tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will affect the current income tax, deferred income tax and VAT during the period in which such a determination is made.

5 Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgement on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned as the asset manager, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

6 Derecognition of financial assets transferred

In its normal course of business, the Group transfers its financial assets through various types of transactions including regular way sales and transfers, securitization, financial assets sold under repurchase agreements, securities lending. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial derecognition.

Where the Group enters into structured transactions by which it transfers financial assets to structured entities, the Group analyzes whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities. This will determine whether the following derecognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets are transferred.

The Group analyzes the contractual rights and obligations in connection with such transfers to determine whether the derecognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualifies for the "pass through" of those cash flows to independent third parties.

- the extent to which the associated risks and rewards of ownership of the financial assets are transferred. Significant judgement is applied in the Group's estimation with regard to the cash flows before and after the transfers and other factors that affect the outcomes of Group's assessment on the extent that risks and rewards are transferred.

- where the Group has neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyzes whether it has relinquished its controls over these financial assets by assessing whether the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, and if the Group has continuing involvement in these transferred financial assets. Where the Group has not retained control, it derecognizes these financial assets and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer. Otherwise, the Group continues to recognize these financial assets to the extent of its continuing involvement in the financial assets.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Net interest income

	Year ended 31 December	
	2024	2023
Interest income		
Loans and advances to customers	**816,608**	808,672
Including: Corporate loans and advances	**497,363**	474,171
Personal loans	**319,245**	334,501
Financial investments		
Debt instrument investments at amortized cost	**279,037**	255,838
Other debt instrument investments at fair value through other comprehensive income	**81,182**	52,328
Balances with central banks	**39,345**	39,341
Placements with and loans to banks and other financial institutions	**19,691**	18,774
Financial assets held under resale agreements	**21,856**	28,462
Deposits with banks and other financial institutions	**17,961**	20,283
Subtotal	**1,275,680**	1,223,698
Interest expense		
Due to customers	**(469,120)**	(475,534)
Deposits from banks and other financial institutions	**(104,667)**	(71,337)
Debt securities issued	**(71,243)**	(59,548)
Borrowings from central banks	**(26,222)**	(26,459)
Placements from banks and other financial institutions	**(17,328)**	(16,571)
Financial assets sold under repurchase agreements	**(6,408)**	(2,499)
Subtotal	**(694,988)**	(651,948)
Net interest income	**580,692**	571,750

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Net fee and commission income

	Year ended 31 December	
	2024	2023
Fee and commission income		
Electronic banking services	**27,605**	27,459
Bank cards	**16,741**	16,307
Agency services	**16,221**	20,438
Consultancy and advisory services	**14,231**	13,337
Settlement and clearing services	**9,618**	10,796
Custodian and other fiduciary services	**4,021**	4,078
Credit commitment	**1,111**	1,793
Others	**417**	502
Subtotal	**89,965**	94,710
Fee and commission expense		
Bank cards	**(9,082)**	(9,129)
Electronic banking services	**(3,299)**	(3,360)
Settlement and clearing services	**(1,301)**	(1,321)
Others	**(716)**	(807)
Subtotal	**(14,398)**	(14,617)
Net fee and commission income	**75,567**	80,093

3 Net trading gain

		Year ended 31 December	
	Note	**2024**	2023
Net gain on debt instruments held for trading		**4,103**	6,510
Net gain on precious metals	(i)	**4,886**	5,597
Net gain on foreign exchange rate derivatives		**14,228**	10,295
Net gain on interest rate derivatives		**848**	1,599
Others		**1,440**	(877)
Total		**25,505**	23,124

(i) Net gain on precious metals consists of net gain on precious metals and precious metal related derivative products.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4 Net gain on financial investments

	Note	Year ended 31 December 2024	2023
Net (loss)/gain on debt instruments designated as at FVPL		**(35)**	108
Net gain on other debt instruments and equity investments measured at FVPL		**17,759**	16,046
Net loss on financial liabilities designated as at FVPL	(i)	**(368)**	(422)
Net gain on other debt instrument and other equity investments measured at FVOCI		**3,938**	2,635
Others		**(679)**	(1,603)
Total		**20,615**	16,764

(i) Net loss on financial liabilities designated as at FVPL consists of the payable amount upon the maturity of structured deposits designated at FVPL.

5 Other operating income

	Year ended 31 December 2024	2023
Insurance premium	**3,763**	3,258
Net losses on foreign exchange	**(7,007)**	(5,467)
Rental income	**1,413**	1,371
Gain on disposal of property and equipment	**800**	1,037
Government grant	**1,271**	1,317
Others	**1,630**	1,183
Total	**1,870**	2,699

6 Operating expenses

	Notes	Year ended 31 December 2024	2023
Staff costs	(1)	**160,469**	151,628
General operating and administrative expenses	(2)	**61,082**	62,047
Insurance benefits and claims		**6,276**	6,128
Depreciation and amortization		**22,869**	21,621
Tax and surcharges	(3)	**7,548**	7,260
Others		**2,936**	3,621
Total		**261,180**	252,305

In 2024, the Group's research and development expenses amounted to RMB4,245 million (2023: RMB3,722 million).

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6 Operating expenses (Continued)

(1) Staff costs

	Year ended 31 December	
	2024	2023
Short-term employee benefits		
Salaries, bonuses, allowances and subsidies	**106,095**	100,620
Housing funds	**10,915**	10,151
Social insurance	**6,724**	6,344
Including: Medical insurance	**6,355**	5,987
Maternity insurance	**179**	186
Employment injury insurance	**190**	171
Labor union fees and staff education expenses	**3,739**	3,858
Others	**11,296**	10,515
Subtotal	**138,769**	131,488
Defined contribution benefits	**21,687**	20,127
Early retirement benefits	**13**	13
Total	**160,469**	151,628

(2) Included in general operating and administrative expenses is auditor's remuneration of RMB121 million for the year, consisting of RMB115 million for financial statements audit service and RMB6 million for non-audit professional service (2023: RMB117 million for the year, consisting of RMB112 million for financial statements audit service and RMB5 million for non-audit professional service).

(3) City construction and maintenance tax is calculated at 1%,5% or 7% of VAT and sales taxes for the Group's Domestic Operations.

Education surcharge is calculated at 3%, while local education surcharge is calculated at 2% of VAT and sales taxes for the Group's Domestic Operations.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 Benefits and interests of directors, supervisors and senior management

(1) *Details of the Directors', Supervisors' and Senior Management's emoluments are as follows (in thousands of RMB):*

		Year ended 31 December 2024				
Item	Notes	Fees	Basic salaries and allowances	Contribution to retirement benefit schemes	Other benefits in kind (xii)	Total
Executive Directors						
Gu Shu		–	673	140	96	909
Wang Zhiheng	(i)	–	392	82	57	531
Lin Li		–	605	132	97	834
Independent Non-Executive Directors						
LEUNG KO May Yee, Margaret		380	–	–	–	380
Wu Liansheng		389	–	–	–	389
Wang Changyun		376	–	–	–	376
Ju Jiandong	(ii)	117	–	–	–	117
Zhuang Yumin	(iii)	–	–	–	–	–
Non-Executive Directors						
Zhou Ji		–	–	–	–	–
Li Wei		–	–	–	–	–
Liu Xiaopeng		–	–	–	–	–
Xiao Xiang		–	–	–	–	–
Zhang Qi		–	–	–	–	–
Supervisors						
Deng Lijuan		–	–	–	–	–
Huang Tao		50	–	–	–	50
Wang Xuejun		50	–	–	–	50
Liu Hongxia		300	–	–	–	300
Xu Xianglin		330	–	–	–	330
Wang Xixin		280	–	–	–	280
Senior Management						
Liu Hong		–	605	132	97	834
Wang Wenjin	(iv)	–	50	11	9	70
Meng Fanjun	(v)	–	–	–	–	–
Wu Gang		–	1,027	227	97	1,351
Liu Qing	(vi)	–	684	134	65	883
Executive Director resigned						
Zhang Xuguang	(vii)	–	504	110	81	695
Non-Executive Directors resigned						
Huang Zhenzhong	(viii)	263	–	–	–	263
Liu Shouying	(ix)	251	–	–	–	251
Senior Management resigned						
Xu Han	(x)	–	605	137	96	838
Liu Jiawang	(xi)	–	353	77	55	485
Total		**2,786**	**5,498**	**1,182**	**750**	**10,216**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 Benefits and interests of directors, supervisors and senior management (Continued)

(1) *Details of the Directors', Supervisors' and Senior Management's emoluments are as follows (in thousands of RMB): (Continued)*

(i) Wang Zhiheng was elected the President effective 28 June 2024, and was elected Vice Chairman of the Board of Directors and Executive Director effective 27 September 2024.

(ii) Ju Jiandong was elected Independent Non-Executive Director effective 10 September 2024.

(iii) Zhuang Yumin was elected Independent Non-Executive Director effective 15 January 2025.

(iv) Wang Wenjin was elected Executive Vice President effective 22 January 2025. His remuneration set out in the table above is the remuneration received from the Bank as the person in charge in state-controlled financial enterprise in 2024.

(v) Meng Fanjun was elected Executive Vice President effective 28 February 2025.

(vi) Liu Qing was elected Secretary of the Board of Directors effective 28 April 2024.

(vii) Zhang Xuguang ceased to be Executive Director and Executive Vice President effective 31 October 2024.

(viii) Huang Zhenzhong ceased to be Independent Non-Executive Director effective 10 September 2024.

(ix) Liu Shouying ceased to be Independent Non-Executive Director effective 30 August 2024.

(x) Xu Han ceased to be Executive Vice President effective 8 January 2025.

(xi) Liu Jiawang ceased to be Executive Vice President effective 19 July 2024.

(xii) Other benefits in kind include 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 allowances or the prescribed upper limits as required by the relevant regulations issued by the government authorities.

The total compensation packages for the above Directors, Supervisors and Senior Management for the year ended 31 December 2024 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC at the date of this consolidated financial statements. The final compensation will be disclosed in a separate announcement when determined.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 Benefits and interests of directors, supervisors and senior management (Continued)

(1) *Details of the Directors', Supervisors' and Senior Management's emoluments are as follows (in thousands of RMB): (Continued)*

		Year ended 31 December 2023				
Item	Notes	Fees	Basic salaries and allowances	Contribution to retirement benefit schemes	Other benefits in kind (x)	Total
Executive Directors						
Gu Shu		–	897	136	90	1,123
Zhang Xuguang		–	808	128	90	1,026
Lin Li		–	808	128	90	1,026
Independent Non-Executive Directors						
Huang Zhenzhong		380	–	–	–	380
LEUNG KO May Yee, Margaret		380	–	–	–	380
Liu Shouying		380	–	–	–	380
Wu Liansheng		380	–	–	–	380
Wang Changyun		360	–	–	–	360
Non-Executive Directors						
Zhou Ji		–	–	–	–	–
Li Wei		–	–	–	–	–
Liu Xiaopeng		–	–	–	–	–
Xiao Xiang		–	–	–	–	–
Zhang Qi		–	–	–	–	–
Supervisors						
Deng Lijuan		–	–	–	–	–
Huang Tao		50	–	–	–	50
Wang Xuejun		50	–	–	–	50
Liu Hongxia		300	–	–	–	300
Xu Xianglin		330	–	–	–	330
Wang Xixin		280	–	–	–	280
Senior Management						
Xu Han		–	808	133	94	1,035
Liu Jiawang		–	808	128	90	1,026
Liu Hong	(i)	–	337	55	38	430
Wu Gang	(ii)	–	994	112	46	1,152
Executive Director resigned						
Fu Wanjun	(iii)	–	897	136	90	1,123
Non-Executive Directors resigned						
Liao Luming	(iv)	–	–	–	–	–
Supervisors resigned						
Wang Jingdong	(v)	–	150	12	7	169
Wu Gang	(vi)	17	–	–	–	17
Senior Management resigned						
Zhang Yi	(vii)	–	135	21	14	170
Li Zhicheng	(viii)	–	332	32	12	376
Han Guoqiang	(ix)	–	1,989	226	89	2,304
Total		2,907	8,963	1,247	750	13,867

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 Benefits and interests of directors, supervisors and senior management (Continued)

(1) *Details of the Directors', Supervisors' and Senior Management's emoluments are as follows (in thousands of RMB): (Continued)*

(i) Liu Hong was elected Executive Vice President effective 21 August 2023.

(ii) Wu Gang was elected Chief Risk Officer effective 1 June 2023.

(iii) Fu Wanjun ceased to be Vice Chairman of the Board of Directors and Executive Director and Executive President effective 26 December 2023.

(iv) Liao Luming ceased to be Non-Executive Director effective 28 September 2023.

(v) Wang Jingdong ceased to be Chairman of the Board of Supervisors and Supervisor of the Shareholders Representative effective 7 February 2023.

(vi) Wu Gang ceased to be Supervisor Representing Employees effective 25 April 2023.

(vii) Zhang Yi ceased to be Executive Vice President effective 21 March 2023.

(viii) Li Zhicheng ceased to be Chief Risk Officer effective 28 February 2023.

(ix) Han Guoqiang ceased to be Secretary of the Board of Directors and the company secretary effective 26 December 2023.

(x) Other benefits in kind include 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 allowances or the prescribed upper limits as required by the relevant regulations issued by the government authorities.

(2) Five individuals with the highest emoluments in the Group

(i) Of the five individuals with the highest emoluments in the Group, none of them are Directors, Supervisors or Senior Management whose emoluments are disclosed above. The emoluments of the five individuals whose emoluments were the highest in the Group for the years ended 31 December 2024 and 31 December 2023 were as follows:

	Year ended 31 December	
	2024	2023
Basic salaries and allowances	**21**	23
Discretionary bonuses	**9**	9
Contribution to retirement benefit schemes and others	**2**	1
Total	**32**	33

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 Benefits and interests of directors, supervisors and senior management (Continued)

(2) Five individuals with the highest emoluments in the Group (Continued)

(ii) The number of these five individuals whose emoluments fell within the following bands are as follows:

	Year ended 31 December	
	2024	2023
RMB4,500,001 to RMB5,000,000 yuan	**3**	1
RMB5,000,001 to RMB5,500,000 yuan	**–**	2
RMB5,500,001 to RMB6,000,000 yuan	**–**	–
RMB6,000,001 to RMB6,500,000 yuan	**–**	–
RMB6,500,001 to RMB7,000,000 yuan	**1**	–
RMB7,000,001 to RMB7,500,000 yuan	**–**	1
RMB7,500,001 to RMB8,000,000 yuan	**–**	–
RMB8,000,001 to RMB8,500,000 yuan	**–**	–
RMB8,500,001 to RMB9,000,000 yuan	**–**	–
RMB9,000,001 to RMB9,500,000 yuan	**–**	–
RMB9,500,001 to RMB10,000,000 yuan	**–**	–
RMB10,000,001 to RMB10,500,000 yuan	**–**	–
RMB10,500,001 to RMB11,000,000 yuan	**1**	1

For the years ended 31 December 2024 and 31 December 2023, no emolument was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. For the years ended 31 December 2024 and 31 December 2023, none of the five highest paid individuals waived any emolument.

(3) Other benefits and interests of Directors and Supervisors pursuant to the Hong Kong Companies Ordinance (Cap.622).

For the years ended 31 December 2024 and 31 December 2023, no emolument was paid by the Group to any of the Directors and Supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office. Except for the Annuity Scheme and Pension Scheme (Note II 7 Employee benefits), there were no other retirement benefits for Directors or Supervisors, or consideration provided to third parties for making available Directors' or Supervisors' services; and none of the Directors or Supervisors waived any emolument, or had material interests, whether directly or indirectly, in any material transactions, arrangements or contracts in relation to the Group's business for the years ended 31 December 2024 and 31 December 2023.

The Group enters into credit transactions with the Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors at arm's length in the ordinary course of business. For the years ended 31 December 2024 and 31 December 2023 and as at 31 December 2024 and 31 December 2023, the respective balances of loans and advances from the Group to Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors were not significant. The Group did not provide any guarantee or security to the Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors in respect of their loans, quasi-loans or credit transactions.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8 Credit impairment losses

	Year ended 31 December	
	2024	2023
Loans and advances to customers	**129,709**	138,883
Financial investments		
Debt instrument investments at amortized cost	**9,050**	(5,464)
Other debt instrument investments at fair value through other comprehensive income	**1,560**	(2,235)
Provision for guarantees and commitments	**(5,318)**	(606)
Placements with and loans to banks and other financial institutions	**(1,255)**	564
Deposits with banks and other financial institutions	**74**	58
Financial assets held under resale agreements	**(1,374)**	1,128
Others	**(1,606)**	3,379
Total	**130,840**	135,707

9 Income tax expense

	Year ended 31 December	
	2024	2023
Current income tax		
— PRC Enterprise Income Tax	**34,868**	48,584
— Hong Kong SAR Income Tax	**649**	826
— Other jurisdictions Income Tax	**407**	208
Subtotal	**35,924**	49,618
Deferred tax (Note IV 22)	**606**	(12,019)
Total	**36,530**	37,599

Domestic and Overseas Branches Income Tax is calculated at 25% of the estimated taxable profit for both years, and also includes supplementary PRC tax on Overseas Branches as determined in accordance with the relevant PRC income tax rules and regulations. Pre-tax deduction items of enterprise income tax are governed by the relevant tax regulations in Chinese mainland. Taxation arising in other jurisdictions (including Hong Kong SAR) is calculated at the rates prevailing in the relevant jurisdictions.

As at 31 December 2024, Pillar Two legislation has come into effect in countries where some of the Group's subsidiaries are located. The Group is subject to the global minimum top-up tax under Pillar Two legislation in those jurisdictions. The Group has applied the temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current income tax when it occurs. For the year ended 31 December 2024, the impact of the top-up tax on the Group's current income tax expense is not material.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9 Income tax expense (Continued)

The tax charges for the years ended 31 December 2024 and 31 December 2023 can be reconciled to the profit per the consolidated statement of profit or loss as follows:

	Note	Year ended 31 December 2024	2023
Profit before tax		**319,201**	307,419
Tax calculated at applicable PRC statutory tax rate of 25%		**79,800**	76,855
Tax effect of income not taxable for tax purpose	(1)	**(60,683)**	(51,884)
Tax effect of costs, expenses and losses not deductible for tax purpose		**21,228**	16,106
Tax effect of perpetual bonds interest expense		**(3,805)**	(3,484)
Effect of different tax rates in other jurisdictions		**(10)**	6
Income tax expense		**36,530**	37,599

(1) Non-taxable income primarily includes interest income from PRC treasury bonds and municipal government bonds.

10 Dividends

	Notes	Year ended 31 December 2024	2023
Dividends on ordinary shares declared and unpaid			
Cash dividend related to 2024	(1)	**40,738**	–
Dividends on ordinary shares declared and paid			
Cash dividend related to 2023	(2)	**80,811**	–
Cash dividend related to 2022	(3)	**–**	77,766
		121,549	77,766
Dividends on preference shares declared and paid	(4)	**4,064**	2,128
Interest on perpetual bonds declared and paid	(5)	**15,219**	13,935

(1) Distribution of dividend on ordinary shares for 2024

A cash dividend of RMB0.1164 (tax included) per ordinary share related to mid 2024, amounting to RMB40,738 million (tax included) in total which accounts for 30% of the net profit in the half year of 2024 was approved as determined in accordance with the relevant accounting rules and financial regulations applicable to PRC enterprises (the "PRC GAAP"), at the 2024 third extraordinary general meeting held on 29 November 2024.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 Dividends (Continued)

(1) Distribution of dividend on ordinary shares for 2024 *(Continued)*

The above dividend was recognized as distribution during the year ended 31 December 2024.

A final dividend of RMB0.1255 (tax included) per ordinary share related to the year ended 31 December 2024 totalling RMB43,923 million (tax included) has been proposed by the Board of Directors and is subject to approval by the ordinary equity holders in the annual general meeting.

The above dividend will be recognized as distribution after being approved in the annual general meeting.

(2) Distribution of dividend on ordinary shares for 2023

A cash dividend of RMB0.2309 (tax included) per ordinary share related to 2023, amounting to RMB80,811 million (tax included) in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2023 as determined in accordance with the PRC GAAP, at the annual general meeting held on 21 May 2024.

The above dividend was recognized as distribution and distributed during the year ended 31 December 2024.

(3) Distribution of dividend on ordinary shares for 2022

A cash dividend of RMB0.2222 (tax included) per ordinary share related to 2022, amounting to RMB77,766 million (tax included) in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2022 as determined in accordance with the PRC GAAP, at the annual general meeting held on 29 June 2023.

The above dividend was recognized as distribution and distributed during the year ended 31 December 2023.

(4) Distribution of dividend on preference shares

Distribution of dividend on preference shares for 2024

A cash dividend at the dividend rate of 4.84% per annum related to the second tranche of preference shares of 2023 to 2024 amounting to RMB1,936 million (tax included) in total was approved at the Board of Directors' Meeting held on 31 January 2024 and distributed on 11 March 2024.

A cash dividend at the dividend rate of 5.32% per annum related to the first tranche of preference shares of 2023 to 2024 amounting to RMB2,128 million (tax included) in total was approved at the Board of Directors' Meeting held on 30 August 2024 and distributed on 5 November 2024.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 Dividends (Continued)

(4) Distribution of dividend on preference shares *(Continued)*

Distribution of dividend on preference shares for 2023

A cash dividend at the dividend rate of 5.32% per annum related to the first tranche of preference shares of 2022 to 2023 amounting to RMB2,128 million (tax included) in total was approved at the Board of Directors' Meeting held on 29 August 2023 and distributed on 6 November 2023.

(5) Distribution of interest on perpetual bonds

Distribution of interest on perpetual bonds for 2024

An interest at the interest rate of 3.49% per annum related to the 2022-first tranche of perpetual bonds of RMB50 billion amounting to RMB1,745 million in total was declared on 20 February 2024 and distributed on 22 February 2024.

An interest at the interest rate of 3.48% per annum related to the 2020-first tranche of perpetual bonds of RMB85 billion amounting to RMB2,958 million in total was declared on 10 May 2024 and distributed on 13 May 2024.

An interest at the interest rate of 4.39% per annum related to the 2019-first tranche of perpetual bonds of RMB85 billion amounting to RMB3,732 million in total was declared on 8 August 2024 and distributed on 20 August 2024.

An interest at the interest rate of 4.50% per annum related to the 2020-second tranche of perpetual bonds of RMB35 billion amounting to RMB1,575 million in total was declared on 14 August 2024 and distributed on 26 August 2024.

An interest at the interest rate of 3.21% per annum related to the 2023-first tranche of perpetual bonds of RMB40 billion amounting to RMB1,284 million in total was declared on 14 August 2024 and distributed on 28 August 2024.

An interest at the interest rate of 3.17% per annum related to the 2022-second tranche of perpetual bonds of RMB30 billion amounting to RMB951 million in total was declared on 20 August 2024 and distributed on 5 September 2024.

An interest at the interest rate of 4.20% per annum related to the 2019-second tranche of perpetual bonds of RMB35 billion amounting to RMB1,470 million in total was declared on 27 August 2024 and distributed on 5 September 2024.

An interest at the interest rate of 3.76% per annum related to the 2021-first tranche of perpetual bonds of RMB40 billion amounting to RMB1,504 million in total was declared on 14 November 2024 and distributed on 16 November 2024.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 Dividends (Continued)

(5) Distribution of interest on perpetual bonds *(Continued)*

Distribution of interest on perpetual bonds for 2023

An interest at the interest rate of 3.49% per annum related to the 2022-first tranche of perpetual bonds of RMB50 billion amounting to RMB1,745 million in total was declared on 20 February 2023 and distributed on 22 February 2023.

An interest at the interest rate of 3.48% per annum related to the 2020-first tranche of perpetual bonds of RMB85 billion amounting to RMB2,958 million in total was declared on 10 May 2023 and distributed on 12 May 2023.

An interest at the interest rate of 4.39% per annum related to the 2019-first tranche of perpetual bonds of RMB85 billion amounting to RMB3,732 million in total was declared on 17 August 2023 and distributed on 20 August 2023.

An interest at the interest rate of 4.50% per annum related to the 2020-second tranche of perpetual bonds of RMB35 billion amounting to RMB1,575 million in total was declared on 22 August 2023 and distributed on 24 August 2023.

An interest at the interest rate of 4.20% per annum related to the 2019-second tranche of perpetual bonds of RMB35 billion amounting to RMB1,470 million in total was declared on 31 August 2023 and distributed on 5 September 2023.

An interest at the interest rate of 3.17% per annum related to the 2022-second tranche of perpetual bonds of RMB30 billion amounting to RMB951 million in total was declared on 31 August 2023 and distributed on 5 September 2023.

An interest at the interest rate of 3.76% per annum related to the 2021-first tranche of perpetual bonds of RMB40 billion amounting to RMB1,504 million in total was declared on 14 November 2023 and distributed on 16 November 2023.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11 Earnings per share

The calculation of basic and diluted earnings per share is as follows:

	Year ended 31 December	
	2024	2023
Earnings:		
Profit for the year attributable to equity holders of the Bank	**282,083**	269,356
Less: profit for the year attributable to other equity instruments holders of the Bank	**(19,283)**	(16,063)
Profit for the year attributable to ordinary equity holders of the Bank	**262,800**	253,293
Number of shares:		
Weighted average number of ordinary shares in issue (in millions)	**349,983**	349,983
Basic and diluted earnings per share (RMB yuan)	**0.75**	0.72

For the years ended 31 December 2015 and 31 December 2014, the Bank issued two non-cumulative preference shares, respectively, and the specific terms are included in Note IV 33 Other equity instruments.

From 2019 to 2024, the Bank issued eleven non-cumulative undated tier 1 capital bonds(the bank has exercised the redemption right and redeemed the 2019 undated additional tier 1 capital bonds), respectively, and the specific terms are included in Note IV 33 other equity instruments.

For the purpose of calculating basic earnings per share, cash dividends of RMB4,064 million (tax included) of non-cumulative preference shares declared in respect of the year of 2024 and interests of RMB15,219 million of non-cumulative undated tier 1 capital bonds in respect of 2024 were deducted from the profit for the year attributable to ordinary equity holders of the Bank (2023: cash dividends of RMB2,128 million (tax included) of non-cumulative preference shares and interests of RMB13,935 million of non-cumulative undated tier 1 capital bonds).

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the years ended 31 December 2024 and 31 December 2023, and therefore the conversion feature of preference shares has no dilutive effect on earnings per share calculation.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12 Cash and balances with central banks

	Notes	As at 31 December 2024	2023
Cash		**67,208**	71,140
Mandatory reserve deposits with central banks	(1)	**1,887,408**	2,359,006
Surplus reserve deposits with central banks	(2)	**46,885**	338,123
Other deposits with central banks	(3)	**131,855**	152,582
Subtotal		**2,133,356**	2,920,851
Accrued interest		**1,096**	1,196
Total		**2,134,452**	2,922,047

(1) The Group places mandatory reserve deposits with the PBOC and overseas regulatory bodies. These include RMB reserve deposits and foreign currency reserve deposits that are not available for use in the Group's daily operations.

As at 31 December 2024, the mandatory deposit reserve ratios of the domestic branches of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC. The mandatory reserve funds placed with the central bank of domestic subsidiaries of the Group are determined by the PBOC. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Chinese mainland are determined by local jurisdictions.

(2) Surplus reserve deposits with central banks include funds for the purpose of cash settlement and other kinds of unrestricted deposits.

(3) Other deposits with central banks primarily represent fiscal deposits and foreign exchange risk reserve placed with the PBOC that are not available for use in the Group's daily operations.

13 Deposits with banks and other financial institutions

	As at 31 December 2024	2023
Deposits with:		
Domestic banks	**518,355**	1,008,493
Other domestic financial institutions	**11,635**	15,980
Overseas banks	**40,621**	49,994
Subtotal	**570,611**	1,074,467
Accrued interest	**2,799**	6,988
Allowance for impairment losses	**(1,454)**	(1,379)
Carrying amount	**571,956**	1,080,076

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14 Placements with and loans to banks and other financial institutions

	As at 31 December	
	2024	2023
Placements with and loans to:		
Domestic banks	**161,157**	142,828
Other domestic financial institutions	**119,800**	157,965
Overseas banks and other financial institutions	**247,172**	214,983
Subtotal	**528,129**	515,776
Accrued interest	**3,491**	3,539
Allowance for impairment losses	**(1,853)**	(3,134)
Carrying amount	**529,767**	516,181

15 Derivative financial instruments and hedge accounting

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

The contractual/notional amounts and fair values of the derivative financial instruments entered into by the Group are set out in the following tables. The contractual/notional amounts of derivative financial instruments provide a basis for comparison with fair values of instruments recognized in the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The fair value of derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or precious metal prices relative to their terms. The aggregated fair values of derivative financial assets and liabilities can fluctuate significantly in different periods.

Certain financial assets and financial liabilities of the Group are subject to enforceable master net 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. The Group did not offset these financial assets and financial liabilities on a net basis. As at 31 December 2024 and 31 December 2023, the Group did not hold any other financial assets or liabilities, other than derivatives, that are subject to master netting arrangements or similar agreements.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 Derivative financial instruments and hedge accounting (Continued)

	31 December 2024		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross-currency interest rate swaps	**3,858,877**	**59,145**	**(43,670)**
Currency options	**283,541**	**1,687**	**(2,428)**
Subtotal		**60,832**	**(46,098)**
Interest rate derivatives			
Interest rate swaps	**540,534**	**3,500**	**(2,551)**
Precious metal derivatives and others	**188,098**	**1,588**	**(9,497)**
Total		**65,920**	**(58,146)**

	31 December 2023		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross-currency interest rate swaps	2,201,349	20,701	(19,287)
Currency options	161,055	1,450	(1,226)
Subtotal		22,151	(20,513)
Interest rate derivatives			
Interest rate swaps	362,817	2,502	(1,420)
Precious metal derivatives and others	141,712	220	(5,884)
Total		24,873	(27,817)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 Derivative financial instruments and hedge accounting (Continued)

Credit risk weighted amount for derivative transaction counterparties represents the counterparty credit risk associated with derivative transactions and is calculated in accordance with the "Capital Rules for Commercial Banks" issued by the NFRA which was effective from 1 January 2024, and is dependent on, among other factors, creditworthiness of customers and maturity characteristics of each type of contract.

	As at 31 December	
	2024	2023
Counterparty credit default risk-weighted assets	**24,609**	54,728
Credit value adjustment risk-weighted assets	**9,485**	6,846
Total	**34,094**	61,574

Fair value hedges

The following designated fair value hedging instruments are included in the derivative financial instruments disclosed above.

	31 December 2024		
	Contractual/ notional amount	**Fair value**	
		Assets	**Liabilities**
Interest rate swaps	**49,738**	**1,183**	**(199)**

	31 December 2023		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	42,853	882	(336)

The Group uses interest rate swaps to hedge against changes arising from changes in interest rates in fair value of loans and advances to customers and other debt instrument investments at fair value through other comprehensive income.

The Group's net (losses)/gains on fair value hedges are as follow:

	Year ended 31 December	
	2024	2023
Net (losses)/gains on		
— hedging instruments	**(24)**	(666)
— hedged items	**(3)**	723
Ineffective portion recognized in net trading gains	**(27)**	57

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 Derivative financial instruments and hedge accounting (Continued)

Fair value hedges *(Continued)*

The following table shows maturity details with notional amount of hedging instruments disclosed above:

	Fair value hedges					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
31 December 2024	**129**	**144**	**2,586**	**41,536**	**5,343**	**49,738**
31 December 2023	2,351	8,768	3,115	26,835	1,784	42,853

The following table sets out the details of the hedged items covered by the Group's fair value hedging strategies:

	31 December 2024				
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		Line items in the statement of financial position
	Assets	Liabilities	Assets	Liabilities	
Bonds	**46,821**	**–**	**–**	**–**	**Other debt instrument investments at fair value through other comprehensive income Loans and advances to customers**
Loans	**2,528**	**–**	**(45)**	**–**	
Total	**49,349**	**–**	**(45)**	**–**	

	31 December 2023				
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		Line items in the statement of financial position
	Assets	Liabilities	Assets	Liabilities	
Bonds	42,465	–	–	–	Other debt instrument investments at fair value through other comprehensive income Loans and advances to customers
Loans	2,474	–	(83)	–	
Total	44,939	–	(83)	–	

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Financial assets held under resale agreements

	As at 31 December	
	2024	2023
Analyzed by collateral type:		
Debt securities	**1,302,198**	1,743,760
Bills	**71,150**	67,904
Subtotal	**1,373,348**	1,811,664
Accrued interest	**424**	1,470
Allowance for impairment losses	**(2,201)**	(3,575)
Carrying amount	**1,371,571**	1,809,559

The collateral received in connection with financial assets held under resale agreements is disclosed in Note IV 42 Contingent liabilities and commitments – Collateral.

17 Loans and advances to customers

17.1 Analyzed by measurement basis

		As at 31 December	
	Notes	**2024**	2023
Measured at amortized cost	(1)	**22,159,675**	20,237,841
Measured at fair value through other comprehensive income	(2)	**1,817,338**	1,493,925
Total		**23,977,013**	21,731,766

(1) Measured at amortized cost:

	As at 31 December	
	2024	*2023*
Corporate loans and advances		
Loans and advances	***14,208,469***	*12,993,815*
Personal loans	***8,830,444***	*8,076,529*
Subtotal	***23,038,913***	*21,070,344*
Accrued interest	***49,936***	*50,352*
Allowance for impairment losses	***(929,174)***	*(882,855)*
Carrying amount of loans and advances to customers measured at amortized cost	***22,159,675***	*20,237,841*

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 Loans and advances to customers (Continued)

17.1 Analyzed by measurement basis (Continued)

(2) Measured at fair value through other comprehensive income:

	As at 31 December	
	2024	*2023*
Corporate loans and advances		
Loans and advances	***309,417***	*183,178*
Discounted bills	***1,507,921***	*1,310,747*
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	***1,817,338***	*1,493,925*

17.2 Analyzed by ECL assessment method

	31 December 2024			
	Stage I	**Stage II**	**Stage III**	
	12 months ECL	**Lifetime ECL**		**Total**
Gross loans and advances to customers measured at amortized cost	**22,349,632**	**417,224**	**321,993**	**23,088,849**
Allowance for impairment losses	**(625,897)**	**(97,859)**	**(205,418)**	**(929,174)**
Loans and advances to customers measured at amortized cost, net	**21,723,735**	**319,365**	**116,575**	**22,159,675**
Loans and advances to customers measured at fair value through other comprehensive income	**1,803,322**	**13,844**	**172**	**1,817,338**
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	**(33,430)**	**(2,529)**	**(93)**	**(36,052)**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 Loans and advances to customers (Continued)

17.2 Analyzed by ECL assessment method (Continued)

	31 December 2023			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
Gross loans and advances to customers measured at amortized cost	20,424,619	395,527	300,550	21,120,696
Allowance for impairment losses	(604,532)	(92,521)	(185,802)	(882,855)
Loans and advances to customers measured at amortized cost, net	19,820,087	303,006	114,748	20,237,841
Loans and advances to customers measured at fair value through other comprehensive income	1,483,097	10,618	210	1,493,925
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	(28,798)	(2,202)	(63)	(31,063)

The ECL for corporate loans and advances in Stage I and Stage II, as well as personal loans, were measured in accordance with the risk parameters modelling method. The ECL for corporate loans and advances in Stage III were calculated using the discounted cash flow method. For details, see Note IV 44.1 Credit risk.

17.3 Analyzed by movements in loss allowance

The movements of loss allowance are mainly affected by:

— Transfers between stages due to loans and advances to customers experiencing significant increases (or decreases) in credit risk or becoming credit-impaired, and the corresponding transfer of the measurement basis of the loss allowance between 12 months and the entire lifetime ECL;

— Allowance for new loans and advances to customers recognized;

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 Loans and advances to customers (Continued)

17.3 Analyzed by movements in loss allowance (Continued)

— Remeasurement includes the impact of changes in model assumptions, updates of model parameters, changes in probability of default and loss given default; changes in ECL due to transfer of loans and advances to customers between stages; changes in ECL due to unwinding of discount over time; changes in foreign exchange translations for assets denominated in foreign currencies and other movements;

— The reversal of allowances caused by repayment, transfer out and write-offs of loans and advances to customers.

The following table shows the impact of above factors on the allowance for impairment losses:

	Year ended 31 December 2024			
	Stage I	Stage II	Stage III	
Corporate loans and advances	12 months ECL (i)	Lifetime ECL (ii)		Total
1 January 2024	461,708	68,916	148,403	679,027
Transfer:				
Stage I to Stage II	(8,078)	8,078	–	–
Stage II to Stage III	–	(20,447)	20,447	–
Stage II to Stage I	9,878	(9,878)	–	–
Stage III to Stage II	–	16,138	(16,138)	–
Originated or purchased financial assets	127,386	–	–	127,386
Remeasurement	(27,500)	19,693	54,848	47,041
Repayment or transfer out	(87,311)	(12,676)	(18,873)	(118,860)
Write-offs	–	–	(39,796)	(39,796)
31 December 2024	476,083	69,824	148,891	694,798

	Year ended 31 December 2024			
	Stage I	Stage II	Stage III	
Personal loans	12 months ECL (iii)	Lifetime ECL (iv)		Total
1 January 2024	171,622	25,807	37,462	234,891
Transfer:				
Stage I to Stage II	(5,519)	5,519	–	–
Stage II to Stage III	–	(19,073)	19,073	–
Stage II to Stage I	8,847	(8,847)	–	–
Stage III to Stage II	–	2,767	(2,767)	–
Originated or purchased financial assets	89,118	–	–	89,118
Remeasurement	(18,934)	33,114	65,904	80,084
Repayment or transfer out	(61,890)	(8,723)	(27,070)	(97,683)
Write-offs	–	–	(35,982)	(35,982)
31 December 2024	183,244	30,564	56,620	270,428

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 Loans and advances to customers (Continued)

17.3 Analyzed by movements in loss allowance (Continued)

The following table shows the impact of above factors on the allowance for impairment losses: (Continued)

	Year ended 31 December 2023			
	Stage I	Stage II	Stage III	
Corporate loans and advances	12 months ECL (v)	Lifetime ECL (vi)		Total
1 January 2023	415,071	55,734	131,227	602,032
Transfer:				
Stage I to Stage II	(13,931)	13,931	–	–
Stage II to Stage III	–	(25,130)	25,130	–
Stage II to Stage I	13,258	(13,258)	–	–
Stage III to Stage II	–	9,746	(9,746)	–
Originated or purchased financial assets	157,429	–	–	157,429
Remeasurement	(32,918)	38,741	50,394	56,217
Repayment or transfer out	(77,201)	(10,848)	(23,853)	(111,902)
Write-offs	–	–	(24,749)	(24,749)
31 December 2023	461,708	68,916	148,403	679,027

	Year ended 31 December 2023			
	Stage I	Stage II	Stage III	
Personal loans	12 months ECL (vii)	Lifetime ECL (viii)		Total
1 January 2023	160,093	25,110	32,993	218,196
Transfer:				
Stage I to Stage II	(4,097)	4,097	–	–
Stage II to Stage III	–	(12,501)	12,501	–
Stage II to Stage I	8,696	(8,696)	–	–
Stage III to Stage II	–	2,998	(2,998)	–
Originated or purchased financial assets	73,149	–	–	73,149
Remeasurement	(7,650)	23,782	27,796	43,928
Repayment or transfer out	(58,569)	(8,983)	(10,212)	(77,764)
Write-offs	–	–	(22,618)	(22,618)
31 December 2023	171,622	25,807	37,462	234,891

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 Loans and advances to customers (Continued)

17.3 Analyzed by movements in loss allowance (Continued)

(i) In 2024, the changes of the Group's loss allowance of corporate loans and advances in Stage I, were mainly driven by the net increase of about 11% in the book balance of the corporate loans and advances compared with 1 January 2024.

(ii) In 2024, the changes of the Group's loss allowance of corporate loans and advances in Stage II were mainly driven by a small increase of the provision rate of the Group's corporate loans and advances in Stage II. There was no significant change in the gross amount of Stage II corporate loans and advances as of 31 December 2024 compared to 1 January 2024.

In 2024, the changes of Group's loss allowance of corporate loans and advances in Stage III were mainly driven by both the net transfer between stages which led to a net decrease of nearly 3% in the corresponding gross amount compared with 1 January 2024, and the increase of provision ratio caused by the transfer of relevant loans and advances from Stage II to Stage III. This impact was partially offset by the repayment, transfer out and write-offs of corporate loans and advances.

(iii) In 2024, the changes of the Group's loss allowance of personal loans in Stage I were mainly driven by the net increase of about 9% in the book balance of the personal loans compared with 1 January 2024.

(iv) In 2024, the changes in loss allowance of the Group's personal loans in Stage II were mainly driven by the net transfer between stages which led to a net increase of nearly 37% in the corresponding gross amount. This impact was partially offset by the decrease of provision ratio in Stage II.

In 2024, the changes in loss allowance of the Group's personal loans in Stage III were mainly driven by both the net transfer between stages which led to a net increase of nearly 54% in the corresponding gross amount and increase in the provision ratio resulting from transfer of relevant loans and advances from Stage II to Stage III. This impact was partially offset by the repayment, transfer out and write-offs of relevant loans and advances.

(v) In 2023, the changes of the Group's loss allowance of corporate loans and advances in Stage I, were mainly driven by the net increase of about 19% in the book balance of the corporate loans and advances compared with 1 January 2023.

(vi) In 2023, the changes of the Group's loss allowance of corporate loans and advances in Stage II were mainly driven by the net increase of about 28% in the book balance of the corporate loans and advances in Stage II compared with 1 January 2023, driven by net transfer between stages. This impact was partially offset by the decrease of provision ratio in Stage II.

In 2023, the changes of Group's loss allowance of corporate loans and advances in Stage III were mainly driven by both the net transfer between stages which led to a net increase of nearly 9% in the corresponding gross amount compared with 1 January 2023, and the increase of provision ratio caused by the transfer of relevant loans and advances from Stage II to Stage III. This impact was partially offset by the repayment, transfer out and write-offs of corporate loans and advances.

(vii) In 2023, the changes of the Group's loss allowance of personal loans in Stage I were mainly driven by both the net increase of about 7% in the book balance of the personal loans compared with 1 January 2023, and the increase of the provision ratio.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 Loans and advances to customers (Continued)

17.3 Analyzed by movements in loss allowance (Continued)

(viii) In 2023, the changes in loss allowance of the Group's personal loans in Stage II were mainly driven by the net transfer between stages which led to a net increase of nearly 6% in the corresponding gross amount. This impact was partially offset by the decrease of provision ratio in Stage II.

In 2023, the changes in loss allowance of the Group's personal loans in Stage III were mainly driven by both the net transfer between stages which led to a net increase of nearly 21% in the corresponding gross amount and increase in the provision ratio resulting from transfer of relevant loans and advances from Stage II to Stage III. This impact was partially offset by the repayment, transfer out and write-offs of relevant loans and advances.

18 Financial investments

		As at 31 December	
	Notes	**2024**	2023
Financial assets at fair value through profit or loss	18.1	**513,306**	547,407
Debt instrument investments at amortized cost	18.2	**9,905,633**	8,463,255
Other debt instrument and other equity investments at fair value through other comprehensive income	18.3	**3,430,164**	2,203,051
Total		**13,849,103**	11,213,713

18.1 Financial assets at fair value through profit or loss

		As at 31 December	
	Notes	**2024**	2023
Financial assets held for trading	(1)	**176,349**	197,649
Financial assets designated at fair value through profit or loss	(2)	**631**	812
Other financial assets at fair value through profit or loss	(3)	**336,326**	348,946
Total		**513,306**	547,407
Analyzed as:			
Listed in Hong Kong		**13,760**	10,499
Listed outside Hong Kong	(i)	**339,305**	370,407
Unlisted		**160,241**	166,501
Total		**513,306**	547,407

(i) Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

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

(1) Financial assets held for trading

	As at 31 December	
	2024	2023
Debt securities issued by:		
Governments	**9,975**	9,342
Public sector and quasi-governments	**37,473**	77,220
Financial institutions	**48,523**	55,489
Corporates	**35,468**	15,558
Subtotal	**131,439**	157,609
Precious metal contracts	**20,967**	15,487
Equity	**7,174**	7,605
Fund and others	**16,769**	16,948
Total	**176,349**	197,649

(2) Financial assets designated at fair value through profit or loss (ii)

	As at 31 December	
	2024	2023
Debt securities issued by:		
Financial institutions	**469**	654
Corporates	**162**	158
Total	**631**	812

(ii) In order to eliminate or significantly reduce accounting mismatches, the Group designates certain debt securities as financial assets at fair value through profit or loss.

(3) Other financial assets at fair value through profit or loss (iii)

	As at 31 December	
	2024	2023
Debt securities issued by:		
Public sector and quasi-governments	**18,202**	22,284
Financial institutions	**163,561**	167,756
Corporates	**1,733**	2,400
Subtotal	**183,496**	192,440
Equity	**108,844**	115,306
Fund and others	**43,986**	41,200
Total	**336,326**	348,946

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

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

(3) Other financial assets at fair value through profit or loss (iii) (Continued)

(iii) Other financial assets at fair value through profit or loss refer to financial assets that do not qualify for measurement at AC or FVOCI and are not held for trading, including bond investments, equity interests, funds, trust plans and asset management products of the Group.

18.2 Debt instrument investments at amortized cost

	Notes	As at 31 December 2024	2023
Debt securities issued by:			
Governments		**7,325,911**	5,747,715
Public sector and quasi-governments		**1,552,603**	1,953,312
Financial institutions		**407,880**	161,595
Corporates		**79,527**	62,409
Subtotal of debt securities		**9,365,921**	7,925,031
Receivable from the MOF	(i)	**290,891**	290,891
Special government bond	(ii)	**93,315**	93,326
Others	(iii)	**21,888**	17,761
Subtotal		**9,772,015**	8,327,009
Accrued interest		**157,187**	150,788
Allowance for impairment losses		**(23,569)**	(14,542)
Debt instrument investments at amortized cost, net		**9,905,633**	8,463,255
Analyzed as:			
Listed in Hong Kong		**29,607**	30,403
Listed outside Hong Kong	(iv)	**9,448,580**	7,981,978
Unlisted		**427,446**	450,874
Total		**9,905,633**	8,463,255

(i) The Group received a notice from the MOF in January 2020, clarifying that from 1 January 2020, the interest rate of the unpaid payments will be verified year by year based on the rate of return of the five-year treasury bond of the previous year.

(ii) Special government bond refers to the non-transferable bond issued by the MOF in 1998 in the aggregated principal amount of RMB93.3 billion to the Predecessor Entity for capital replenishment. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum, starting from 1 December 2008.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

18.2 Debt instrument investments at amortized cost (Continued)

(iii) Other debt instrument investments at amortized cost are primarily related to investment in unconsolidated structured entities held by the Group (Note IV 41 (2)).

(iv) Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

(1) Analyzed by ECL assessment method

	31 December 2024			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
Gross debt instrument investments at amortized cost	**9,927,191**	**599**	**1,412**	**9,929,202**
Allowance for impairment losses	**(22,546)**	**(16)**	**(1,007)**	**(23,569)**
Debt instrument investments at amortized cost, net	**9,904,645**	**583**	**405**	**9,905,633**

	31 December 2023			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
Gross debt instrument investments at amortized cost	8,476,120	368	1,309	8,477,797
Allowance for impairment losses	(13,253)	–	(1,289)	(14,542)
Debt instrument investments at amortized cost, net	8,462,867	368	20	8,463,255

Debt instrument investments at amortized cost in Stage II and Stage III mainly included corporates bonds and other debt instrument investments.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

18.2 Debt instrument investments at amortized cost (Continued)

(2) Analyzed by movements in loss allowance (v)

	Year ended 31 December 2024			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
1 January 2024	**13,253**	**–**	**1,289**	**14,542**
Transfer:				
Stage I to Stage II	**(4)**	**4**	**–**	**–**
Originated or purchased financial assets	**3,876**	**–**	**–**	**3,876**
Remeasurement	**6,335**	**12**	**5**	**6,352**
Maturities or transfer out	**(914)**	**–**	**(287)**	**(1,201)**
31 December 2024	**22,546**	**16**	**1,007**	**23,569**

	Year ended 31 December 2023			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
1 January 2023	19,150	–	1,285	20,435
Originated or purchased financial assets	3,409	–	–	3,409
Remeasurement	(7,023)	–	4	(7,019)
Maturities or transfer out	(2,283)	–	–	(2,283)
31 December 2023	13,253	–	1,289	14,542

(v) As at 31 December 2024, the increases of the Group's loss allowance of debt instrument investments at amortized cost were mainly due to the remeasurement of remained debt instrument investments and the increase of debt instrument investments.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

18.3 Other debt instrument and other equity investments at fair value through other comprehensive income

	Notes	31 December 2024			
		Amortized cost of debt instruments/ cost of equity instruments	**Fair value**	**Cumulative amount of change in fair value that is accrued to other comprehensive income**	**Cumulative amount of impairment**
Other debt instrument investments	(1)	**3,336,449**	**3,418,609**	**82,160**	**(4,916)**
Other equity investments	(2)	**9,118**	**11,555**	**2,437**	**N/A**
Total		**3,345,567**	**3,430,164**	**84,597**	**(4,916)**

	Notes	31 December 2023			
		Amortized cost of debt instruments/ cost of equity instruments	Fair value	Cumulative amount of change in fair value that is accrued to other comprehensive income	Cumulative amount of impairment
Other debt instrument investments	(1)	2,174,855	2,195,685	20,830	(3,870)
Other equity investments	(2)	5,930	7,366	1,436	N/A
Total		2,180,785	2,203,051	22,266	(3,870)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

18.3 Other debt instrument and other equity investments at fair value through other comprehensive income (Continued)

(1) Other debt instrument investments

(a) Analyzed by types of issuers

	Note	As at 31 December 2024	As at 31 December 2023
Debt securities:			
Governments		**1,890,398**	**1,102,019**
Public sector and quasi-governments		**268,036**	**243,852**
Financial institutions		**1,116,984**	**703,570**
Corporates		**109,288**	**120,006**
Subtotal		**3,384,706**	**2,169,447**
Others	(i)	**8,330**	**9,178**
Subtotal of debt instruments		**3,393,036**	**2,178,625**
Accrued interest		**25,573**	**17,060**
Total		**3,418,609**	**2,195,685**
Analyzed as:			
Listed in Hong Kong		**125,115**	**128,173**
Listed outside Hong Kong		**3,201,369**	**1,938,190**
Unlisted		**92,125**	**129,322**
Total		**3,418,609**	**2,195,685**

(i) Others primarily include investments in unconsolidated structured entities held by the Group (Note IV 41 (2)), such as trust investment plans and debt investment plans.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

18.3 Other debt instrument and other equity investments at fair value through other comprehensive income (Continued)

(1) Other debt instrument investments (Continued)

(b) Analyzed by ECL assessment method

	31 December 2024			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
Carrying amount of other debt instrument investments at fair value through other comprehensive income	**3,418,021**	**588**	**–**	**3,418,609**
Allowance for impairment losses	**(4,906)**	**(10)**	**–**	**(4,916)**

	31 December 2023			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
Carrying amount of other debt instrument investments at fair value through other comprehensive income	2,194,783	885	17	2,195,685
Allowance for impairment losses	(3,848)	(7)	(15)	(3,870)

Other debt instrument investments at fair value through other comprehensive income in Stage II and Stage III mainly included corporates bonds and financial institutions bonds.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

18.3 Other debt instrument and other equity investments at fair value through other comprehensive income (Continued)

(1) Other debt instrument investments (Continued)

(c) Analyzed by movements in loss allowance (ii)

	Year ended 31 December 2024			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
1 January 2024	**3,848**	**7**	**15**	**3,870**
Originated or purchased financial assets	**1,705**	**–**	**–**	**1,705**
Remeasurement	**34**	**4**	**–**	**38**
Maturities or transfer out	**(681)**	**(1)**	**–**	**(682)**
Write-offs	**–**	**–**	**(15)**	**(15)**
31 December 2024	**4,906**	**10**	**–**	**4,916**

	Year ended 31 December 2023			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
1 January 2023	6,078	9	256	6,343
Transfer:				
Stage I transfer to Stage II	(1)	1	–	–
Stage III transfer to Stage II	–	77	(77)	–
Originated or purchased financial assets	981	–	–	981
Remeasurement	(1,224)	(77)	–	(1,301)
Maturities or transfer out	(1,986)	(3)	(164)	(2,153)
31 December 2023	3,848	7	15	3,870

(ii) As at 31 December 2024, the increases of the Group's loss allowance of other debt instrument investments at fair value through other comprehensive income were mainly due to the increase of debt instrument investments.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Financial investments (Continued)

18.3 Other debt instrument and other equity investments at fair value through other comprehensive income (Continued)

(2) Other equity instruments

	As at 31 December	
	2024	2023
Financial institutions	**8,775**	6,636
Other enterprises	**2,780**	730
Total	**11,555**	7,366

The Group designates certain non-trading equity investments as financial investments at fair value through other comprehensive income. In 2024, dividend income from such equity investments of the Group was RMB213 million (2023: RMB242 million). The value of disposed of such equity investments was RMB785 million (2023: RMB612 million) and the cumulative gains transferred into retained earnings from other comprehensive income after disposal was RMB5 million (2023: cumulative gains of RMB1 million).

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 Investment in subsidiaries and structured entities

(1) Investment in subsidiaries

The following are the principal subsidiaries of the Bank as at 31 December 2024:

Name of entity	Notes	Date of incorporation/ establishment	Place of incorporation/ establishment	Authorized capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
China Agricultural Finance Co., Ltd.		1 November 1988	Hong Kong, PRC	HKD588,790,000	100.00	100.00	Investment holding
ABC International Holdings Limited		11 November 2009	Hong Kong, PRC	HKD4,113,392,450	100.00	100.00	Investment holding
ABC Financial Leasing Co., Ltd.		29 September 2010	Shanghai, PRC	RMB9,500,000,000	100.00	100.00	Financial leasing
Agricultural Bank of China (UK) Limited	(i)	29 November 2011	London, United Kingdom	USD100,000,002	100.00	100.00	Banking
ABC-CA Fund Management Co., Ltd.		18 March 2008	Shanghai, PRC	RMB1,750,000,001	51.67	51.67	Fund management
ABC Hexigten Rural Bank Limited Liability Company		12 August 2008	Inner Mongolia, PRC	RMB19,600,000	51.02	51.02	Banking
ABC Hubei Hanchuan Rural Bank Limited Liability Company	(ii)	12 August 2008	Hubei, PRC	RMB31,000,000	50.00	66.67	Banking
ABC Jixi Rural Bank Limited Liability Company	(iii)	25 May 2010	Anhui, PRC	RMB29,400,000	56.02	56.02	Banking
ABC Ansai Rural Bank Limited Liability Company		30 March 2010	Shaanxi, PRC	RMB40,000,000	51.00	51.00	Banking
ABC Zhejiang Yongkang Rural Bank Limited Liability Company		20 April 2012	Zhejiang, PRC	RMB210,000,000	51.00	51.00	Banking
ABC Xiamen Tong'an Rural Bank Limited Liability Company		24 May 2012	Fujian, PRC	RMB150,000,000	51.00	51.00	Banking
ABC Life Insurance Co., Ltd.	(iv)	19 December 2005	Beijing, PRC	RMB2,949,916,475	51.00	51.00	Life insurance
Agricultural Bank of China (Luxembourg) Limited		26 November 2014	Luxembourg, Luxembourg	EUR20,000,000	100.00	100.00	Banking
Agricultural Bank of China (Moscow) Limited		23 December 2014	Moscow, Russia	RUB7,556,038,271	100.00	100.00	Banking
ABC Financial Asset Investment Co., Ltd.		1 August 2017	Beijing, PRC	RMB20,000,000,000	100.00	100.00	Debt-to-equity swap and related services
Agricultural Bank of China Wealth Management Co., Ltd.		25 July 2019	Beijing, PRC	RMB12,000,000,000	100.00	100.00	Wealth management

During the year ended 31 December 2024, there were no changes in the proportion of equity interest or voting rights the Bank held in its subsidiaries other than ABC Jixi Rural Bank Limited Liability Company.

(i) Agricultural Bank of China (UK) Limited has been undertaking the dissolution procedures.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 Investment in subsidiaries and structured entities (Continued)

(1) Investment in subsidiaries (Continued)

(ii) Two of the three directors on the board of ABC Hubei Hanchuan Rural Bank Limited Liability Company were appointed by the Bank. The Bank concluded that it has effective control over and has included this entity in its consolidation scope.

(iii) In 2024, The Bank obtained 5% of the issued share capital of ABC Jixi Rural Bank Limited Liability Company through participating in judicial auctions and public bidding.

(iv) On 31 December 2012, the Bank acquired 51% of the issued share capital of Jiahe Life Insurance Co., Ltd. and renamed it as ABC Life Insurance Co., Ltd. ("ABC Life Insurance"). As at 31 December 2012, the Group recognized goodwill of RMB1,381 million as a result of this acquisition. During the year ended 31 December 2016, the Bank and other investors contributed additional capital totalling RMB3,761 million to ABC Life Insurance, comprising registered capital of RMB917 million and capital reserve of RMB2,844 million. After the capital injection, the proportion of equity interest and voting rights the Bank held in ABC Life Insurance remained at 51%.

The Bank tests the impairment of goodwill annually. When performing the impairment test, the Bank compares the carrying amount of the assets (including goodwill and the value of the mergers and acquisitions after deduction of amortization) with the recoverable amount. The excess of carrying amount over recoverable amount is recognized in profit or loss of the current period.

The recoverable amount of the assets is based on adjusted net assets, value of in-force business, value of one year of new business, new business multiplier, and other data approved by the management of ABC Life Insurance. The actuarial valuation method is applied and the risk discount rate, return on investment, valuation discount rate, and other assumptions adopted to forecast cash flows respectively reflect the specific risks associated with them.

As at 31 December 2024 and 31 December 2023, there was no objective evidence noted for any goodwill impairment, and no impairment loss was recognized.

(2) Structured entities

The Group also consolidated structured entities as disclosed in Note IV 41 Structured entities.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 Investment in associates and joint ventures

(1) Investment in associates

Name of entity	Notes	Date of establishment	Place of incorporation/ business	Authorized capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
Sino-Congolese Bank of Africa	(i)	2015	Brazzaville, Congo	XAF53,342,800,000	50.00	50.00	Bank
Shenzhen Yuanzhifuhai No. 6 Investment Enterprise (Limited Partnership)	(ii)	2015	Guangdong, PRC	RMB313,000,000	31.95	33.33	Equity investment, investment management and investment advisory service
Beijing Guofa Aero Engine Industry Investment Fund Center (Limited Partnership)	(ii)	2018	Beijing, PRC	RMB6,343,200,000	15.61	11.11	Non-securities investment activities and related advisory services
Jilin Hongqizhiwang New Energy Automobile Fund Investment Management Center (Limited Partnership)	(ii)	2019	Jilin, PRC	RMB3,885,500,000	25.26	20.00	Non-securities investment activities and related advisory services
Xinyuan (Beijing) Debt-to-Equity Special Equity Investment Center (Limited Partnership)	(ii)	2020	Beijing, PRC	RMB6,000,000,000	15.67	14.29	Equity investment
National Green Development Fund Co., Ltd.	(iii)	2020	Shanghai, PRC	RMB88,500,000,000	9.04	9.04	Equity investment, project investment and investment management
National Social Endowment Insurance Co., Ltd.	(iv)	2022	Beijing, PRC	RMB11,150,000,000	8.97	8.97	Insurance
BNP Paribas ABC Wealth Management Co., Ltd.	(iv)	2023	Shanghai, PRC	RMB1,000,000,000	49.00	49.00	Wealth management
China Integrated Circuit Industry Investment Fund Phase III Co., Ltd.	(v)	2024	Beijing, PRC	RMB344,000,000,000	6.25	6.25	Equity investment, investment management and asset management

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 Investment in associates and joint ventures (Continued)

(1) Investment in associates (Continued)

(i) On 28 May 2015, the Sino-Congolese Bank of Africa (La Banque Sino-Congolaise pour l'Afrique, hereinafter referred to as BSCA. Bank), established by the Bank and other investors with authorized capital denominated in Central African CFA franc ("XAF"), was granted the required banking license by the local regulatory authority. The Bank holds 50% equity interest and voting rights in BSCA. Bank, and has the right to participate in the financial and operational decisions of BSCA. Bank, but does not constitute control or joint control over those decisions.

(ii) The Bank's wholly-owned subsidiary, ABC Financial Asset Investment Co., Ltd. and other investors invested in the above mentioned enterprises. The Group has the right to participate in the financial and operational decisions of these enterprises, but does not constitute control or joint control over those decisions.

(iii) The Bank was approved to participate in the investment in National Green Development Fund Co., Ltd. in 2021. The Bank holds 9.04% equity interest and has the right to participate in the financial and operational decisions, but does not constitute control or joint control over those decisions.

(iv) The Bank's wholly-owned subsidiary, Agricultural Bank of China Wealth Management Co., Ltd. and other investors invested in the above mentioned enterprises. The Group has the right to participate in the financial and operational decisions of the enterprise, but does not constitute control or joint control over those decisions.

(v) The Bank was approved to participate in the investment in China Integrated Circuit Industry Investment Fund Phase III Co., Ltd. in 2024. The Bank holds 6.25% equity interest and has the right to participate in the financial and operational decisions, but does not constitute control or joint control over those decisions.

(vi) The interests of the Group in the above-mentioned associates does not have a significant impact on the Group.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 Investment in associates and joint ventures (Continued)

(2) Investment in joint ventures

Name of entity	Date of establishment	Place of incorporation/ business	Authorized capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
Jiangsu Jiequansuihe State-owned Enterprise Mixed Ownership Reform Fund (Limited Partnership)	2018	Jiangsu, PRC	RMB1,000,000,000	69.00	28.57	Equity investment, debt-to-equity and related supporting services
Nongjin Gaotou (Hubei) Debt-to-Equity Investment Fund (Limited Partnership)	2018	Hubei, PRC	RMB500,000,000	74.00	33.33	Non-securities equity investment activities and related advisory services
Jiaxing Suihe New Silk Road Investment Fund (Limited Partnership)	2018	Zhejiang, PRC	RMB1,500,000,000	66.67	50.00	Industrial investment and equity investment
Inner Mongolia Mengxingzhuli Development Fund Investment Center (Limited Partnership)	2018	Inner Mongolia, PRC	RMB2,000,000,000	50.00	50.00	Equity investment, investment management and investment advisory service
Jianyuan Infrastructure Equity Investment (Tianjin) Fund (Limited Partnership)	2019	Tianjin, PRC	RMB3,500,000,000	20.00	20.00	Equity investment and investment management
Shaanxi Suihe Equity Investment Fund Partnership (Limited Partnership)	2019	Shaanxi, PRC	RMB1,000,000,000	50.00	50.00	Equity investment

The wholly-owned subsidiary of the Bank, ABC Financial Asset Investment Co., Ltd. and other investors established the above-mentioned entities. According to the agreements, matters considered at the Meeting of Partners or investment decision-making committee shall be approved by the unanimous consent of all the partners or all the committee members. The Group constitutes joint control over the financial and operational decisions of these limited partnerships with the other investors.

The interests of the Group in the above-mentioned joint ventures does not have a significant impact on the Group.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21 Property and equipment

	Buildings	Machinery and equipment	Motor vehicles	Construction in progress	Total
Cost:					
1 January 2024	198,006	73,344	16,452	12,386	300,188
Additions	2,680	5,746	3,187	6,412	18,025
Transfers in/(out)	2,977	2,039	–	(5,016)	–
Other movements	(2,857)	(7,920)	(190)	(67)	(11,034)
31 December 2024	200,806	73,209	19,449	13,715	307,179
Accumulated depreciation:					
1 January 2024	(89,514)	(49,003)	(4,588)	–	(143,105)
Charge for the year	(7,367)	(7,462)	(854)	–	(15,683)
Other movements	934	5,157	320	–	6,411
31 December 2024	(95,947)	(51,308)	(5,122)	–	(152,377)
Allowance for impairment losses:					
1 January 2024	(261)	(27)	(22)	(34)	(344)
Impairment loss	–	(0)	–	–	(0)
Other movements	5	21	–	–	26
31 December 2024	(256)	(6)	(22)	(34)	(318)
Carrying amount:					
1 January 2024	108,231	24,314	11,842	12,352	156,739
31 December 2024	104,603	21,895	14,305	13,681	154,484

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21 Property and equipment (Continued)

	Buildings	Machinery and equipment	Motor vehicles	Construction in progress	Total
Cost:					
1 January 2023	193,356	68,966	15,253	10,064	287,639
Additions	1,868	8,073	1,395	9,563	20,899
Transfers in/(out)	5,148	2,087	–	(7,235)	–
Other movements	(2,366)	(5,782)	(196)	(6)	(8,350)
31 December 2023	198,006	73,344	16,452	12,386	300,188
Accumulated depreciation:					
1 January 2023	(83,439)	(47,128)	(4,186)	–	(134,753)
Charge for the year	(7,211)	(7,044)	(726)	–	(14,981)
Other movements	1,136	5,169	324	–	6,629
31 December 2023	(89,514)	(49,003)	(4,588)	–	(143,105)
Allowance for impairment losses:					
1 January 2023	(263)	(5)	(12)	(34)	(314)
Impairment loss	(1)	(22)	(10)	–	(33)
Other movements	3	–	–	–	3
31 December 2023	(261)	(27)	(22)	(34)	(344)
Carrying amount:					
1 January 2023	109,654	21,833	11,055	10,030	152,572
31 December 2023	108,231	24,314	11,842	12,352	156,739

According to the relevant laws and regulations, subsequent to the Bank's transformation into a joint stock company, the legal title of properties previously held by the Predecessor Entity are to be transferred to the Bank. As at 31 December 2024, the registration transfer process of these transferred properties and other certain properties has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those assets or adversely affect the Bank's operation.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 Deferred taxation

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following is the analysis of the deferred tax balances:

	As at 31 December	
	2024	2023
Deferred tax assets	**148,009**	160,750
Deferred tax liabilities	**(309)**	(14)
Net	**147,700**	160,736

(1) The following are the movements and major deferred tax assets and liabilities recognized:

	Allowance for impairment losses	Accrued but unpaid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
1 January 2024	**151,050**	**16,714**	**134**	**10,919**	**(19,007)**	**926**	**160,736**
Credit/(charge) to the consolidated statement of profit or loss	**969**	**2,230**	**(33)**	**(2,002)**	**(1,061)**	**(709)**	**(606)**
(Charge)/credit to other comprehensive income	**–**	**–**	**–**	**–**	**(15,574)**	**3,144**	**(12,430)**
31 December 2024	**152,019**	**18,944**	**101**	**8,917**	**(35,642)**	**3,361**	**147,700**

	Allowance for impairment losses	Accrued but unpaid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
31 December 2022	138,684	14,807	189	10,197	(14,750)	794	149,921
Changes in accounting policies	–	–	–	–	(337)	–	(337)
1 January 2023	138,684	14,807	189	10,197	(15,087)	794	149,584
Credit/(charge) to the consolidated statement of profit or loss	12,366	1,907	(55)	722	(2,131)	(790)	12,019
(Charge)/credit to other comprehensive income	–	–	–	–	(1,789)	922	(867)
31 December 2023	151,050	16,714	134	10,919	(19,007)	926	160,736

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 Deferred taxation (Continued)

(2) Deferred tax assets/(liabilities) and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

	31 December 2024		31 December 2023	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
Allowance for impairment losses	**608,108**	**152,019**	604,204	151,050
Fair value changes of financial instruments	**90,239**	**22,556**	49,280	12,317
Accrued but unpaid staff cost	**75,777**	**18,944**	66,858	16,714
Provision	**35,669**	**8,917**	43,674	10,919
Early retirement benefits	**404**	**101**	537	134
Others	**24,035**	**6,007**	17,693	4,422
Subtotal	**834,232**	**208,544**	782,246	195,556
Deferred tax liabilities				
Fair value changes of financial instruments	**(233,013)**	**(58,198)**	(125,487)	(31,324)
Others	**(10,609)**	**(2,646)**	(14,006)	(3,496)
Subtotal	**(243,622)**	**(60,844)**	(139,493)	(34,820)
Net	**590,610**	**147,700**	642,753	160,736

23 Other assets

	Notes	As at 31 December 2024	2023
Accounts receivable and temporary payments		**247,297**	130,940
Land use rights	(1)	**18,479**	19,191
Right-of-use assets	(2)	**11,109**	11,502
Intangible assets	(3)	**10,626**	9,483
Interest receivable		**4,479**	4,157
Long-term deferred expenses		**3,211**	3,286
Investment properties		**2,247**	2,211
Foreclosed assets		**1,207**	1,405
Insurance services receivable		**301**	240
Others		**9,938**	10,747
Total		**308,894**	193,162

(1) According to relevant laws and regulations, subsequent to the Bank's transformation into a joint stock company, land use rights previously held by the Predecessor Entity are to be transferred to the Bank. As at 31 December 2024, the registration transfer process of certain land use rights has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those land use rights.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 Other assets (Continued)

(2) Right-of-use assets

	Buildings	***Others***	***Total***
Cost:			
1 January 2024	***22,941***	***135***	***23,076***
Additions	***3,960***	***12***	***3,972***
Other movements	***(3,143)***	***(17)***	***(3,160)***
31 December 2024	***23,758***	***130***	***23,888***
Accumulated depreciation:			
1 January 2024	***(11,488)***	***(86)***	***(11,574)***
Additions	***(3,877)***	***(21)***	***(3,898)***
Other movements	***2,679***	***14***	***2,693***
31 December 2024	***(12,686)***	***(93)***	***(12,779)***
Carrying amount:			
1 January 2024	***11,453***	***49***	***11,502***
31 December 2024	***11,072***	***37***	***11,109***

	Buildings	*Others*	*Total*
Cost:			
1 January 2023	*21,418*	*147*	*21,565*
Additions	*4,891*	*38*	*4,929*
Other movements	*(3,368)*	*(50)*	*(3,418)*
31 December 2023	*22,941*	*135*	*23,076*
Accumulated depreciation:			
1 January 2023	*(10,589)*	*(99)*	*(10,688)*
Additions	*(3,895)*	*(22)*	*(3,917)*
Other movements	*2,996*	*35*	*3,031*
31 December 2023	*(11,488)*	*(86)*	*(11,574)*
Carrying amount:			
1 January 2023	*10,829*	*48*	*10,877*
31 December 2023	*11,453*	*49*	*11,502*

(3) In 2024, the Group's capitalized research and development expenditure amounted to RMB2,268 million (2023: RMB1,874 million), and the Group's capitalized research and development expenditure of the projects that had been closed and transferred to intangible assets amounted to RMB1,591 million (2023: RMB1,884 million).

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24 Borrowings from central banks

	As at 31 December	
	2024	2023
Borrowings from central banks	**836,668**	1,114,768
Accrued interest	**10,656**	12,301
Total	**847,324**	1,127,069

25 Deposits from banks and other financial institutions

	As at 31 December	
	2024	2023
Deposits from:		
Domestic banks	**301,737**	403,012
Other domestic financial institutions	**4,272,991**	3,173,103
Overseas banks	**4,399**	4,256
Other overseas financial institutions	**59,739**	54,920
Subtotal	**4,638,866**	3,635,291
Accrued interest	**28,695**	18,206
Total	**4,667,561**	3,653,497

26 Placements from banks and other financial institutions

	As at 31 December	
	2024	2023
Placements from:		
Domestic banks and other financial institutions	**112,502**	126,162
Overseas banks and other financial institutions	**248,311**	253,066
Subtotal	**360,813**	379,228
Accrued interest	**3,209**	3,062
Total	**364,022**	382,290

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27 Financial liabilities at fair value through profit or loss

	As at 31 December	
	2024	2023
Financial liabilities held for trading		
Precious metal contracts	**15,254**	11,987
Financial liabilities designated at fair value through profit or loss		
Liabilities of the controlled structured entities	**587**	530
Others	**–**	80
Subtotal	**587**	610
Total	**15,841**	12,597

For the current and prior year, there were no significant changes in the fair value of the Group's financial liabilities designated at fair value through profit or loss attributable to the changes in the Group's own credit risk.

28 Financial assets sold under repurchase agreements

	As at 31 December	
	2024	2023
Analyzed by type of collateral:		
Debt securities	**611,013**	96,182
Bills	**3,522**	3,621
Subtotal	**614,535**	99,803
Accrued interest	**1,190**	718
Total	**615,725**	100,521

The collateral pledged under repurchase agreements is disclosed in Note IV 42 Contingent liabilities and commitments – Collateral.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29 Due to customers

	Note	As at 31 December 2024	2023
Demand deposits			
Corporate customers		**5,233,764**	5,538,382
Individual customers		**6,942,779**	6,666,150
Time deposits			
Corporate customers		**4,989,108**	5,068,105
Individual customers		**11,760,561**	10,453,689
Pledged deposits	(1)	**708,129**	568,312
Others		**152,338**	144,657
Subtotal		**29,786,679**	28,439,295
Accrued interest		**518,678**	459,173
Total		**30,305,357**	28,898,468

(1) Analyzed by activity to which pledged deposits are related to:

	As at 31 December 2024	2023
Bank acceptance	**405,425**	190,331
Trade finance	**71,186**	194,523
Letters of credit	**58,127**	76,684
Letters of guarantee and guarantees	**43,724**	49,486
Others	**129,667**	57,288
Total	**708,129**	568,312

(2) As at 31 December 2024, due to customers measured at amortized cost of the Group amounted to RMB30,277,605 million (31 December 2023: RMB28,889,726 million), due to customers measured at fair value through profit or loss of the Group amounted to RMB27,752 million (31 December 2023: RMB8,742 million). As at 31 December 2024 and 31 December 2023, the difference between the fair value of the structured deposits designated at fair value through profit or loss issued by the Group and the contractual amount payable to the holders of these products upon maturity was not material.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 Debt securities issued

	Notes	As at 31 December 2024	2023
Bonds issued	(1)	**680,217**	616,699
Certificates of deposit issued	(2)	**375,031**	296,543
Other debt securities issued	(3)	**1,610,049**	1,369,771
Subtotal		**2,665,297**	2,283,013
Accrued Interest		**13,212**	12,908
Total		**2,678,509**	2,295,921

As at 31 December 2024 and 31 December 2023, there was no default on the principal, interest or redemption related to any debt securities issued by the Group.

(1) Bonds issued

	Notes	As at 31 December 2024	2023
2.40% CNY fixed rate Green Bonds maturing in October 2025	(i)	**15,000**	15,000
2.80% CNY fixed rate Green Bonds maturing in October 2027	(ii)	**5,000**	5,000
1.25% USD fixed rate Green Bonds maturing in January 2026	(iii)	**2,157**	2,125
2.00% USD fixed rate Green Bonds maturing in January 2027	(iv)	**2,157**	2,125
SOFR+0.63% USD float rate Green Bonds maturing in November 2026	(v)	**2,157**	2,125
4.28% Tier-two capital fixed rate bonds maturing in March 2029	(vi)	**–**	50,000
4.30% Tier-two capital fixed rate bonds maturing in April 2029	(vii)	**–**	40,000
3.10% Tier-two capital fixed rate bonds maturing in May 2030	(viii)	**40,000**	40,000
3.45% Tier-two capital fixed rate bonds maturing in June 2032	(ix)	**40,000**	40,000
3.03% Tier-two capital fixed rate bonds maturing in September 2032	(x)	**50,000**	50,000
3.49% Tier-two capital fixed rate bonds maturing in March 2033	(xi)	**45,000**	45,000

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 Debt securities issued (Continued)

(1) Bonds issued (Continued)

	Notes	As at 31 December 2024	2023
3.25% Tier-two capital fixed rate bonds maturing in September 2033	(xii)	**30,000**	30,000
3.45% Tier-two capital fixed rate bonds maturing in October 2033	(xiii)	**30,000**	30,000
2.76% Tier-two capital fixed rate bonds maturing in February 2034	(xiv)	**35,000**	–
2.32% Tier-two capital fixed rate bonds maturing in April 2034	(xv)	**30,000**	–
4.53% Tier-two capital fixed rate bonds maturing in March 2034	(xvi)	**10,000**	10,000
4.63% Tier-two capital fixed rate bonds maturing in April 2034	(xvii)	**20,000**	20,000
3.65% Tier-two capital fixed rate bonds maturing in June 2037	(xviii)	**20,000**	20,000
3.34% Tier-two capital fixed rate bonds maturing in September 2037	(xix)	**20,000**	20,000
3.61% Tier-two capital fixed rate bonds maturing in March 2038	(xx)	**25,000**	25,000
3.35% Tier-two capital fixed rate bonds maturing in September 2038	(xxi)	**30,000**	30,000
3.55% Tier-two capital fixed rate bonds maturing in October 2038	(xxii)	**30,000**	30,000
2.80% Tier-two capital fixed rate bonds maturing in February 2039	(xxiii)	**35,000**	–
2.49% Tier-two capital fixed rate bonds maturing in April 2039	(xxiv)	**30,000**	–
Medium term notes issued	(xxv)	**41,887**	48,414
3.38% fixed rate financial bonds maturing in April 2024	(xxvi)	**–**	20,000
2.65% fixed rate financial bonds maturing in June 2026	(xxvii)	**20,000**	20,000
2.18% fixed rate Total Loss-Absorbing Capacity non-capital bonds maturing in August 2028	(xxviii)	**35,000**	–
2.24% fixed rate Total Loss-Absorbing Capacity non-capital bonds maturing in August 2030	(xxix)	**10,000**	–
2.39% fixed rate Total Loss-Absorbing Capacity non-capital bonds maturing in August 2035	(xxx)	**5,000**	–
3.06% fixed rate financial bonds maturing in August 2024	(xxxi)	**–**	2,500

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 Debt securities issued (Continued)

(1) Bonds issued (Continued)

	Notes	As at 31 December 2024	2023
2.80% fixed rate financial bonds maturing in November 2026	(xxxii)	**2,400**	2,400
2.50% fixed rate financial bonds maturing in February 2027	(xxxiii)	**2,890**	–
2.25% fixed rate financial bonds maturing in April 2027	(xxxiv)	**1,600**	–
2.70% fixed rate corporate bonds maturing in April 2027	(xxxv)	**1,300**	–
2.40% fixed rate corporate bonds maturing in June 2027	(xxxvi)	**2,700**	–
3.40% fixed rate financial bonds maturing in September 2024	(xxxvii)	**–**	2,000
2.75% fixed rate financial bonds maturing in March 2025	(xxxviii)	**6,000**	6,000
4.10% fixed rate corporate bonds maturing in April 2026	(xxxix)	**–**	1,099
3.80% fixed rate corporate bonds maturing in June 2026	(xl)	**–**	2,998
3.60% fixed rate capital replenishment bonds maturing in March 2030	(xli)	**1,500**	1,500
3.67% fixed rate capital replenishment bonds maturing in March 2033	(xlii)	**3,500**	3,500
Total nominal value		**680,248**	616,786
Less: Unamortized issuance cost and discounts		**(31)**	(87)
Total		**680,217**	616,699

Pursuant to the approval by relevant regulatory authorities, the bonds issued by the Group are set out as below:

(i) The CNY green bonds issued in October 2022 have a maturity of 3 years, with a fixed coupon rate 2.40%, payable annually.

(ii) The CNY green bonds issued in October 2022 have a maturity of 5 years, with a fixed coupon rate 2.80%, payable annually.

(iii) The USD green bonds issued in January 2021 have a maturity of 5 years, with a fixed coupon rate 1.25%, payable semi-annually.

(iv) The USD green bonds issued in January 2022 have a maturity of 5 years, with a fixed coupon rate 2.00%, payable semi-annually.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 Debt securities issued (Continued)

(1) Bonds issued (Continued)

(v) The USD green bonds issued in November 2023 have a maturity of 3 years, with a float coupon rate SOFR+0.63%, payable quarterly.

(vi) The Tier-two capital bonds issued in March 2019 have a maturity of 10 years, with a fixed coupon rate of 4.28% payable annually. The Bank has an option to redeem part or all of the bonds at face value in March 2024 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements. The Bank redeemed all of the bonds at face value on 19 March 2024.

(vii) The Tier-two capital bonds issued in April 2019 have a maturity of 10 years, with a fixed coupon rate of 4.30% payable annually. The Bank has an option to redeem part or all of the bonds at face value in April 2024 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements. The Bank redeemed all of the bonds at face value on 11 April 2024.

(viii) The Tier-two capital bonds issued in April 2020 have a maturity of 10 years, with a fixed coupon rate of 3.10% payable annually. The Bank has an option to redeem part or all of the bonds at face value in May 2025 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(ix) The Tier-two capital bonds issued in June 2022 have a maturity of 10 years, with a fixed coupon rate of 3.45% payable annually. The Bank has an option to redeem part or all of the bonds at face value in June 2027 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(x) The Tier-two capital bonds issued in September 2022 have a maturity of 10 years, with a fixed coupon rate of 3.03% payable annually. The Bank has an option to redeem part or all of the bonds at face value in September 2027 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xi) The Tier-two capital bonds issued in March 2023 have a maturity of 10 years, with a fixed coupon rate of 3.49% payable annually. The Bank has an option to redeem part or all of the bonds at face value in March 2028 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 Debt securities issued (Continued)

(1) Bonds issued (Continued)

(xii) The Tier-two capital bonds issued in September 2023 have a maturity of 10 years, with a fixed coupon rate of 3.25% payable annually. The Bank has an option to redeem part or all of the bonds at face value in September 2028 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xiii) The Tier-two capital bonds issued in October 2023 have a maturity of 10 years, with a fixed coupon rate of 3.45% payable annually. The Bank has an option to redeem part or all of the bonds at face value in October 2028 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xiv) The Tier-two capital bonds issued in February 2024 have a maturity of 10 years, with a fixed coupon rate of 2.76% payable annually. The Bank has an option to redeem part or all of the bonds at face value in February 2029 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xv) The Tier-two capital bonds issued in April 2024 have a maturity of 10 years, with a fixed coupon rate of 2.32% payable annually. The Bank has an option to redeem part or all of the bonds at face value in April 2029 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xvi) The Tier-two capital bonds issued in March 2019 have a maturity of 15 years, with a fixed coupon rate of 4.53% payable annually. The Bank has an option to redeem part or all of the bonds at face value in March 2029 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xvii) The Tier-two capital bonds issued in April 2019 have a maturity of 15 years, with a fixed coupon rate of 4.63% payable annually. The Bank has an option to redeem part or all of the bonds at face value in April 2029 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xviii) The Tier-two capital bonds issued in June 2022 have a maturity of 15 years, with a fixed coupon rate of 3.65% payable annually. The Bank has an option to redeem part or all of the bonds at face value in June 2032 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 Debt securities issued (Continued)

(1) Bonds issued (Continued)

(xix) The Tier-two capital bonds issued in September 2022 have a maturity of 15 years, with a fixed coupon rate of 3.34% payable annually. The Bank has an option to redeem part or all of the bonds at face value in September 2032 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xx) The Tier-two capital bonds issued in March 2023 have a maturity of 15 years, with a fixed coupon rate of 3.61% payable annually. The Bank has an option to redeem part or all of the bonds at face value in March 2033 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xxi) The Tier-two capital bonds issued in September 2023 have a maturity of 15 years, with a fixed coupon rate of 3.35% payable annually. The Bank has an option to redeem part or all of the bonds at face value in September 2033 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xxii) The Tier-two capital bonds issued in October 2023 have a maturity of 15 years, with a fixed coupon rate of 3.55% payable annually. The Bank has an option to redeem part or all of the bonds at face value in October 2033 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xxiii) The Tier-two capital bonds issued in February 2024 have a maturity of 15 years, with a fixed coupon rate of 2.80% payable annually. The Bank has an option to redeem part or all of the bonds at face value in February 2034 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xxiv) The Tier-two capital bonds issued in April 2024 have a maturity of 15 years, with a fixed coupon rate of 2.49% payable annually. The Bank has an option to redeem part or all of the bonds at face value in April 2034 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 Debt securities issued (Continued)

(1) Bonds issued (Continued)

(xxv) The medium term notes ("MTNs") were issued by the Overseas Operations of the Group and are measured at amortized cost. The details of MTNs issued were as follows:

	31 December 2024		
	Maturity dates ranging from	***Coupon rates (%)***	***Outstanding balance***
Fixed rate RMB MTNs	***January 2025 to July 2027***	***2.80–2.99***	***4,912***
Fixed rate HKD MTNs	***November 2025***	***4.75***	***1,389***
Fixed rate USD MTNs	***January 2025 to March 2027***	***1.20–2.25***	***25,522***
Floating rate USD MTNs	***August 2025 to April 2027***	***SOFR+48bps to SOFR+63bps***	***10,064***
Total			***41,887***

	31 December 2023		
	Maturity dates ranging from	*Coupon rates (%)*	*Outstanding balance*
Fixed rate RMB MTNs	*March 2024 to September 2026*	*2.70–2.99*	*4,584*
Fixed rate HKD MTNs	*November 2025*	*4.75*	*1,359*
Fixed rate USD MTNs	*January 2024 to March 2027*	*0.70–2.25*	*35,400*
Floating rate USD MTNs	*August 2025*	*SOFR+50bps*	*7,071*
Total			*48,414*

(xxvi) The fixed rate financial bonds issued by ABC in April 2021 have a maturity of 3 years, with a fixed coupon rate of 3.38%, payable annually. The bonds matured on 13 April 2024.

(xxvii) The fixed rate financial bonds issued by ABC in June 2023 have a maturity of 3 years, with a fixed coupon rate of 2.65%, payable annually.

(xxviii) The Total Loss-Absorbing Capacity non-capital bonds issued in August 2024 have a maturity of 4 years, with a fixed coupon rate of 2.18% payable annually. The Bank has an option to redeem part or all of the bonds at face value in August 2027 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition.

(xxix) The Total Loss-Absorbing Capacity non-capital bonds issued in August 2024 have a maturity of 6 years, with a fixed coupon rate of 2.24% payable annually. The Bank has an option to redeem part or all of the bonds at face value in August 2029 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 Debt securities issued (Continued)

(1) Bonds issued (Continued)

(xxx) The Total Loss-Absorbing Capacity non-capital bonds issued in August 2024 have a maturity of 11 years, with a fixed coupon rate of 2.39% payable annually. The Bank has an option to redeem part or all of the bonds at face value in August 2034 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory recognition.

(xxxi) The fixed rate financial bonds issued by ABC Financial Leasing Co., Ltd. in August 2021 have a maturity of 3 years, with a fixed coupon rate of 3.06%, payable annually. The bonds matured on 18 August 2024.

(xxxii) The fixed rate financial bonds issued by ABC Financial Leasing Co., Ltd. in November 2023 have a maturity of 3 years, with a fixed coupon rate of 2.80%, payable annually.

(xxxiii) The fixed rate financial bonds issued by ABC Financial Leasing Co., Ltd. in February 2024 have a maturity of 3 years, with a fixed coupon rate of 2.50%, payable annually.

(xxxiv) The fixed rate financial bonds issued by ABC Financial Leasing Co., Ltd. in April 2024 have a maturity of 3 years, with a fixed coupon rate of 2.25%, payable annually.

(xxxv) The fixed rate corporate bonds issued by ABCI Investment Suzhou Corporation Limited in April 2024 have a maturity of 3 years, with a fixed coupon rate of 2.70%, payable annually.

(xxxvi) The fixed rate corporate bonds issued by ABCI China Investment Corporation Limited in June 2024 have a maturity of 3 years, with a fixed coupon rate of 2.40%, payable annually.

(xxxvii) The fixed rate financial bonds issued by ABC Financial Asset Investment Co., Ltd. in September 2019 have a maturity of 5 years, with a fixed coupon rate of 3.40%, payable annually. The bonds matured on 1 September 2024.

(xxxviii) The fixed rate financial bonds issued by ABC Financial Asset Investment Co., Ltd. in March 2020 have a maturity of 5 years, with a fixed coupon rate of 2.75%, payable annually. The bonds matured on 1 March 2025.

(xxxix) The fixed rate corporate bonds issued by ABCI Investment Suzhou Corporation Limited in April 2021 have a maturity of 5 years, with a fixed coupon rate of 4.10%, payable annually. ABCI Investment Suzhou Corporation Limited redeemed all of the bonds at face value on 22 April 2024.

(xl) The fixed rate corporate bonds issued by ABCI China Investment Corporation Limited in June 2021 have a maturity of 5 years, with a fixed coupon rate of 3.80%, payable annually. ABCI China Investment Corporation Limited redeemed all of the bonds at face value on 11 June 2024.

(xli) The fixed rate capital replenishment bonds issued by ABC Life Insurance in March 2020 have a maturity of 10 years, with a fixed coupon rate of 3.60%, payable annually. ABC Life Insurance has an option to redeem all of the bonds at face value in March 2025. If ABC Life Insurance does not exercise this option, the coupon rate of the bonds would increase to 4.60% per annum from 30 March 2025 onwards.

(xlii) The fixed rate capital replenishment bonds issued by ABC Life Insurance in March 2023 have a maturity of 10 years, with a fixed coupon rate of 3.67%, payable annually. ABC Life Insurance has an option to redeem all of the bonds at face value in March 2028. If ABC Life Insurance does not exercise this option, the coupon rate of the bonds would increase to 4.67% per annum from 31 March 2028 onwards.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 Debt securities issued (Continued)

(2) The certificates of deposit were issued by the Overseas Operations of the Group and were measured at amortized cost. As at 31 December 2024, the terms of the certificates of deposit ranged from nine days to five years, with interest rates ranging from 0.00% to 5.65% per annum. (As at 31 December 2023, the terms of the certificates of deposit ranged from seven days to five years, with interest rates ranging from 0.00% to 6.06% per annum.)

(3) Other debt securities issued by the Group are commercial papers and interbank certificates of deposit.

(i) The commercial papers were issued by the Overseas Operations of the Group and were measured at amortized cost. As at 31 December 2024, the terms of the commercial papers ranged from three months to one year, with interest rates ranging from 4.42% to 5.45% per annum (As at 31 December 2023, the terms of the commercial papers ranged from one month to eight months, with interest rates ranging from 0.00% to 5.84% per annum.)

(ii) The interbank certificates of deposit were issued by the Bank's Head Office. As at 31 December 2024, the terms of the interbank certificates of deposit ranged from one month to one year, with interest rates ranging from 1.60% to 2.34% per annum (As at 31 December 2023, the terms of the interbank certificates of deposit ranged from one month to one year, with interest rates ranging from 2.18% to 2.75% per annum.)

31 Other liabilities

	Notes	As at 31 December 2024	2023
Insurance liabilities		**179,519**	138,292
Clearing and settlement		**156,786**	96,067
Staff costs payable	(1)	**87,803**	78,601
Income taxes payable		**5,761**	39,523
Provision	(2)	**35,669**	43,674
Lease liabilities	(3)	**10,809**	11,699
VAT and other taxes payable		**9,414**	9,752
Amount payable to the MOF		**266**	302
Other payable		**29,345**	25,543
Others		**31,958**	34,475
Total		**547,330**	477,928

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 Other liabilities (Continued)

(1) Staff costs payable

	Notes	As at 31 December 2024	2023
Short-term employee benefits	(i)	**85,581**	76,127
Defined contribution benefits	(ii)	**1,818**	1,937
Early retirement benefits	(iii)	**404**	537
Total		**87,803**	78,601

(i) Short-term employee benefits

	Note	2024 1 January	Increase	Decrease	31 December
Salaries, bonuses, allowances and subsidies	(a)	**58,165**	**107,895**	**(100,120)**	**65,940**
Housing funds	(a)	**120**	**11,126**	**(11,169)**	**77**
Social insurance including:	(a)	**321**	**6,863**	**(6,886)**	**298**
— Medical insurance		**294**	**6,487**	**(6,507)**	**274**
— Maternity insurance		**15**	**183**	**(186)**	**12**
— Employment injury insurance		**12**	**193**	**(193)**	**12**
Labor union fees and staff education expenses		**11,123**	**3,766**	**(3,592)**	**11,297**
Others		**6,398**	**11,317**	**(9,746)**	**7,969**
Total		**76,127**	**140,967**	**(131,513)**	**85,581**

	Note	2023 1 January	Increase	Decrease	31 December
Salaries, bonuses, allowances and subsidies	(a)	51,985	102,144	(95,964)	58,165
Housing funds	(a)	177	10,326	(10,383)	120
Social insurance including:	(a)	338	6,463	(6,480)	321
— Medical insurance		310	6,100	(6,116)	294
— Maternity insurance		15	189	(189)	15
— Employment injury insurance		13	174	(175)	12
Labor union fees and staff education expenses		10,698	3,885	(3,460)	11,123
Others		5,622	10,572	(9,796)	6,398
Total		68,820	133,390	(126,083)	76,127

(a) Salaries, bonuses, allowances and subsidies, housing funds and social insurance are timely distributed and paid in accordance with relevant laws and regulations and the Group's policy.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 Other liabilities (Continued)

(1) Staff costs payable (Continued)

(ii) Defined contribution benefits

	2024			
	1 January	Increase	Decrease	31 December
Basic pensions	607	13,071	(13,127)	551
Unemployment insurance	45	480	(477)	48
Annuity Scheme	1,285	8,511	(8,577)	1,219
Total	1,937	22,062	(22,181)	1,818

	2023			
	1 January	Increase	Decrease	31 December
Basic pensions	628	11,973	(11,994)	607
Unemployment insurance	64	415	(434)	45
Annuity Scheme	1,199	8,051	(7,965)	1,285
Total	1,891	20,439	(20,393)	1,937

The defined contribution benefits are timely distributed and paid in accordance with the relevant laws and regulations and the Group's policy. There was no forfeited contribution available to reduce the contribution payable by the Group under the above schemes.

(iii) Early retirement benefits

	2024			
	1 January	Increase	Decrease	31 December
Early retirement benefits	537	13	(146)	404

	2023			
	1 January	Increase	Decrease	31 December
Early retirement benefits	758	13	(234)	537

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 Other liabilities (Continued)

(1) *Staff costs payable* (Continued)

(iii) *Early retirement benefits* (Continued)

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	As at 31 December	
	2024	2023
Discount rate	**1.18%**	2.39%
Annual average medical expense growth rate	**8.00%**	8.00%
Annual subsidies growth rate	**8.00%**	8.00%
Normal retirement age		
— Male	**60**	60
— Female	**55**	55

Assumptions regarding future mortality experience are based on the China Life Insurance Mortality Table (published historical statistics in China).

Any difference arising from the actual result or changes in assumptions may affect the amount of expense recognized in the consolidated statement of profit or loss.

(2) *Provision*

	Note	As at 31 December	
		2024	2023
Loan commitments and financial guarantee contracts	(i)	**22,185**	27,485
Litigation provision		**5,228**	5,629
Others		**8,256**	10,560
Total		**35,669**	43,674

(i) *Analyzed by movements in loss allowance for loan commitments and financial guarantee contracts*

		Year ended 31 December 2024			
		Stage I	Stage II	Stage III	
	Note	12 months ECL	Lifetime ECL		Total
1 January 2024		**25,212**	**1,839**	**434**	**27,485**
Transfer:					
Stage I transfer to Stage II		**(274)**	**274**	**–**	**–**
Stage II transfer to Stage III		**–**	**(591)**	**591**	**–**
Stage II transfer to Stage I		**90**	**(90)**	**–**	**–**
Stage III transfer to Stage II		**–**	**27**	**(27)**	**–**
Increase	(a)	**14,302**	**–**	**–**	**14,302**
Remeasurement		**(2,211)**	**740**	**155**	**(1,316)**
Decrease	(a)	**(17,174)**	**(750)**	**(362)**	**(18,286)**
31 December 2024		**19,945**	**1,449**	**791**	**22,185**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 Other liabilities (Continued)

(2) Provision (Continued)

(i) Analyzed by movements in loss allowance for loan commitments and financial guarantee contracts (Continued)

		Year ended 31 December 2023			
		Stage I	Stage II	Stage III	
	Note	12 months ECL	Lifetime ECL		Total
1 January 2023		25,637	1,061	1,353	28,051
Transfer:					
Stage I transfer to Stage II		(187)	187	–	–
Stage II transfer to Stage III		–	(139)	139	–
Stage II transfer to Stage I		121	(121)	–	–
Stage III transfer to Stage II		–	564	(564)	–
Increase	(a)	17,703	–	–	17,703
Remeasurement		(4,632)	937	215	(3,480)
Decrease	(a)	(13,430)	(650)	(709)	(14,789)
31 December 2023		25,212	1,839	434	27,485

(a) The impact of loss allowance driven by new loan commitments and financial guarantee contracts signed in 2024 and 2023 is disclosed as "Increase". The impact of loss allowance driven by withdrawals, advances or expiration of loan commitments and financial guarantee contracts in 2024 and 2023 are disclosed as "Decrease". The changes of loss allowance for loan commitments and financial guarantee contracts in 2024 and 2023 are mainly driven by the decrease of provision ratio.

(3) Lease liabilities

The tables below summarize the maturity analysis of lease liabilities:

	As at 31 December	
	2024	2023
Less than 1 year	**3,915**	3,996
1– 5 years	**6,669**	7,174
Over 5 years	**1,088**	1,290
Total undiscounted lease liabilities	**11,672**	12,460
Lease liabilities	**10,809**	11,699

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32 Ordinary shares

	31 December 2024	
	Number of shares (millions)	Nominal value
Domestic listed A shares, par value RMB1.00 per share	**319,244**	**319,244**
Overseas listed H shares, par value RMB1.00 per share	**30,739**	**30,739**
Total	**349,983**	**349,983**

	31 December 2023	
	Number of shares (millions)	Nominal value
Domestic listed A shares, par value RMB1.00 per share	319,244	319,244
Overseas listed H shares, par value RMB1.00 per share	30,739	30,739
Total	349,983	349,983

(1) A shares refer to the ordinary shares listed in the Chinese mainland. They are offered and traded in RMB. H shares refer to the ordinary shares listed in Hong Kong SAR. Their par value is denominated in RMB when they were initially offered and are currently traded in HKD.

(2) As at 31 December 2024 and 31 December 2023, the Bank's A Shares and H Shares were not subject to lock-up restriction.

33 Other equity instruments

(1) Preference shares

Preference shares	Notes	Dividend rate	Issued price (RMB yuan)	Issued number of shares (millions)	Issued nominal value (millions)	Maturity date	Conversion
First tranche	(a)	6.00% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	No conversion during the period
Second tranche	(b)	5.50% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	No conversion during the period
Total					80,000		

The Bank was authorized to issue no more than 800 million preference shares of RMB100 each, pursuant to the approval by its ordinary equity holders and relevant regulatory authorities.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 Other equity instruments (Continued)

(1) Preference shares (Continued)

(a) The first tranche of 400 million preference shares was issued at par in November 2014. The first tranche of preference shares bears a dividend rate of 6.00% per annum; dividends are non-cumulative and where payable, are paid annually, for the first five years from issuance. The dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.29%. The first five-year dividend period expired on 1 November 2019. During the second dividend period beginning from 5 November 2019, the base rate and fixed premium is 3.03% and 2.29%, respectively, and the coupon rate is 5.32%. The dividend is paid annually. The second five-year dividend period expired on 1 November 2024. During the third dividend period beginning from 5 November 2024, the base rate and fixed premium is 1.83% and 2.29%, respectively, and the coupon rate is 4.12%. The dividend is paid annually.

(b) The second tranche of 400 million preference shares was issued at par in March 2015. The second tranche of preference shares bears a dividend rate of 5.50% per annum; dividends are non-cumulative and where payable, are paid annually, for the first five years from issuance. The dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.24%. The first five-year dividend period expired on 6 March 2020. During the second dividend period beginning from 11 March 2020, the base rate and fixed premium is 2.60% and 2.24%, respectively, and the coupon rate is 4.84%. The dividend is paid annually.

As authorized by the ordinary equity holders in the annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. The Bank shall not distribute any dividends to its ordinary equity holders before it declares such dividends to preference shareholders for the relevant period. The distribution of preference shares dividend is at the Bank's discretion and is non-cumulative. Preference shareholders are not entitled to participate in the distribution of retained earnings except for the dividends stated above.

The Bank has a redemption option when specified conditions as stipulated in the offering documents are met, subject to regulatory approval, whereas preference shareholders have no right to request the Bank to redeem the preference shares.

Upon liquidation, the claims of preference shareholders have priority over ordinary equity holders on the residual assets of the Bank, but are subordinated to those of depositors, general creditors, Tier-two Capital Instruments holders or any other subordinated debt holders with equivalent rights.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 Other equity instruments (Continued)

(1) *Preference shares (Continued)*

Upon occurrence of the triggering events as stipulated in paragraph 2 (1) of the Guidance of the NFRA on Amendments to Commercial Banks' Innovation on Capital Instruments (NFRA No. 42 [2019]) and subject to regulatory approval, the first tranche of preference shares and the second tranche of preference shares shall be mandatorily converted into ordinary A shares of the Bank at the conversion price agreed, partially or entirely. The initial conversion price of the preference shares issued by the Bank was RMB2.43 per share. In June 2018, the Bank has issued 25,189 million ordinary A shares to specific investors. The conversion price of the preference shares will be adjusted where certain events occur including bonus issues, rights issue, capitalization of reserves and new issuances of ordinary shares, subject to terms and formulas provided in the offering documents, to maintain the relative interests between preference shareholders and ordinary equity holders. Upon completion of the private placement of ordinary shares by the Bank, the mandatory conversion price of the first tranche of preference shares and the second tranche of preference shares issued by the Bank will be adjusted from RMB2.43 per share to RMB2.46 per share.

These preference shares are classified as equity instruments and presented as equity in the consolidated statement of financial position, and are qualified as additional tier-one capital instruments in accordance with the NFRA requirements.

The carrying amount of the preference shares issued by the Bank, net of direct issuance expenses, was RMB79,899 million as at 31 December 2024 (31 December 2023: RMB79,899 million).

(2) *Perpetual bonds*

Perpetual bonds	Notes	Interest rate	Issued price (RMB yuan)	Issued number of shares (millions)	Issued nominal value (millions)	Maturity date	Conversion	31 December 2023 (millions)	31 December 2024 (millions)
Undated tier 1 capital bonds in 2019-first tranche	(a)(i)	4.39% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	850	85,000	No maturity date	Not Applicable	85,000	-
Undated tier 1 capital bonds in 2019-second tranche	(a)(ii)	4.20% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	350	35,000	No maturity date	Not Applicable	35,000	-
Undated tier 1 capital bonds in 2020-first tranche	(b)(i)	3.48% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	850	85,000	No maturity date	Not Applicable	85,000	85,000
Undated tier 1 capital bonds in 2020-second tranche	(b)(ii)	4.50% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	350	35,000	No maturity date	Not Applicable	35,000	35,000

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 Other equity instruments (Continued)

(2) Perpetual bonds (Continued)

Perpetual bonds	Notes	Interest rate	Issued price (RMB yuan)	Issued number of shares (millions)	Issued nominal value (millions)	Maturity date	Conversion	31 December 2023 (millions)	31 December 2024 (millions)
Undated tier 1 capital bonds in 2021-first tranche	(c)(i)	3.76% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	Not Applicable	40,000	40,000
Undated tier 1 capital bonds in 2022-first tranche	(c)(ii)	3.49% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	500	50,000	No maturity date	Not Applicable	50,000	50,000
Undated tier 1 capital bonds in 2022-second tranche	(c)(iii)	3.17% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	300	30,000	No maturity date	Not Applicable	30,000	30,000
Undated tier 1 capital bonds in 2023-first tranche	(d)(i)	3.21% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	Not Applicable	40,000	40,000
Undated tier 1 capital bonds in 2024-first tranche	(d)(ii)	2.73% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	Not Applicable	-	40,000
Undated tier 1 capital bonds in 2024-second tranche	(d)(iii)	2.46% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	600	60,000	No maturity date	Not Applicable	-	60,000
Undated tier 1 capital bonds in 2024-third tranche	(d)(iv)	2.29% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	Not Applicable	-	40,000
Total					540,000			400,000	420,000

Perpetual bonds, as shown in the balance sheet, are capital bonds with no fixed maturity issued by the Bank.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 Other equity instruments (Continued)

(2) Perpetual bonds (Continued)

(a) With the approval from the annual general meeting and regulatory authorities in 2019, the Bank was permitted to issue undated additional tier 1 capital bonds ("Perpetual bonds" or the "Bonds") of an amount no more than RMB120 billion.

(i) The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB85 billion in the national interbank bond market on 16 August 2019, and the issuance was completed on 20 August 2019. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 4.39%. The bank has exercised the redemption right and redeemed the undated additional tier 1 capital bonds on 20 August 2024.

(ii) The Bank issued undated additional tier 1 capital bonds (second tranche) with the amount of RMB35 billion in the national interbank bond market on 3 September 2019, and the issuance was completed on 5 September 2019. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 4.20%. The bank has exercised the redemption right and redeemed the undated additional tier 1 capital bonds on 5 September 2024.

(b) With the approval from the annual general meeting and regulatory authorities in 2020, the Bank was granted to issue undated additional tier 1 capital bonds of an amount no more than RMB120 billion.

(i) The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB85 billion in the national interbank bond market on 8 May 2020, and the issuance was completed on 12 May 2020. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.48%.

(ii) The Bank issued undated additional tier 1 capital bonds (second tranche) with the amount of RMB35 billion in the national interbank bond market on 20 August 2020, and the issuance was completed on 24 August 2020. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 4.50%.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 Other equity instruments (Continued)

(2) Perpetual bonds (Continued)

(c) With the approval from the annual general meeting and regulatory authorities in 2021, the Bank was granted to issue undated additional tier 1 capital bonds of an amount no more than RMB120 billion.

(i) The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB40 billion in the national interbank bond market on 12 November 2021, and the issuance was completed on 16 November 2021. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.76%.

(ii) The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB50 billion in the national interbank bond market on 18 February 2022, and the issuance was completed on 22 February 2022. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.49%.

(iii) The Bank issued undated additional tier 1 capital bonds (second tranche) with the amount of RMB30 billion in the national interbank bond market on 1 September 2022, and the issuance was completed on 5 September 2022. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.17%.

(d) With the approval from the annual general meeting and regulatory authorities in 2023, the Bank was granted to issue undated additional tier 1 capital bonds of an amount no more than RMB200 billion.

(i) The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB40 billion in the national interbank bond market on 24 August 2023, and the issuance was completed on 28 August 2023. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.21%.

(ii) The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB40 billion in the national interbank bond market on 13 March 2024, and the issuance was completed on 15 March 2024. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 2.73%.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 Other equity instruments (Continued)

(2) Perpetual bonds (Continued)

(iii) The Bank issued undated additional tier 1 capital bonds (second tranche) with the amount of RMB60 billion in the national interbank bond market on 3 June 2024, and the issuance was completed on 5 June 2024. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 2.46%.

(iv) The Bank issued undated additional tier 1 capital bonds (third tranche) with the amount of RMB40 billion in the national interbank bond market on 26 November 2024, and the issuance was completed on 28 November 2024. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 2.29%.

The duration of the Perpetual bonds is the same as the continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior recognition of the NFRA, the Bank may redeem the Bonds in whole or in part on each distribution payment date from the fifth anniversary since the issuance date of the Bonds. Upon the occurrence of a trigger event for write-downs, with the approval of the NFRA and without the need for the consent of the holders of the Bonds, the Bank has the right to write down all or part of the aggregate amount of the Bonds then issued and outstanding. The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated indebtedness that ranks senior to the Bonds; and shall rank in priority to all classes of shares held by shareholders and will 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 distributions on the Perpetual bonds are non-cumulative. The Bank shall have the right to cancel distributions on the Bonds in whole or in part and any such cancellation shall not constitute an event of default. The Bank may at its discretion use the proceeds from the cancelled distribution to meet other obligations as they fall due. But the Bank shall not make any distribution to ordinary shareholders until its decision to resume the distribution payments in whole to the holders of the Bonds.

The net proceeds from the issuance of the Perpetual bonds were used to replenish the Bank's additional tier 1 capital.

The carrying amount of the undated additional tier 1 capital bonds issued by the Bank, net of direct issuance expenses, was RMB419,977 million as at 31 December 2024 (31 December 2023: RMB399,968 million).

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34 Capital reserve

The capital reserve mainly represents the premium related to ordinary shares publicly issued by the Bank in 2010 and private placement of ordinary shares to the specific shareholders in 2018. Share premium was recorded in the capital reserve after deducting direct issuance expenses, which consisted primarily of underwriting fees and professional fees.

35 Other comprehensive income

	2024		
	Gross carrying amount	Tax effect	Net effect
31 December 2023	**54,514**	**(13,008)**	**41,506**
Fair value changes on debt instruments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	**55,432**	**(13,765)**	**41,667**
— Amount removed from other comprehensive income and recognized in profit or loss	**(2,841)**	**710**	**(2,131)**
Loss allowance on debt instruments at fair value through other comprehensive income	**6,036**	**(1,452)**	**4,584**
Fair value changes on other equity investments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	**641**	**(159)**	**482**
— Transferred to retained earnings	**(5)**	**–**	**(5)**
Foreign currency translation reserve	**469**	**–**	**469**
Others	**(6,343)**	**1,587**	**(4,756)**
31 December 2024	**107,903**	**(26,087)**	**81,816**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35 Other comprehensive income (Continued)

	2023		
	Gross carrying amount	Tax effect	Net effect
31 December 2022	47,542	(11,655)	35,887
Changes in accounting policies	665	(157)	508
1 January 2023	48,207	(11,812)	36,395
Fair value changes on debt instruments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	16,153	(4,117)	12,036
— Amount removed from other comprehensive income and recognized in profit or loss	(521)	130	(391)
Loss allowance on debt instruments at fair value through other comprehensive income	(8,821)	2,488	(6,333)
Fair value changes on other equity investments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	612	(167)	445
— Transferred to retained earnings	(1)	–	(1)
Foreign currency translation reserve	766	–	766
Others	(1,881)	470	(1,411)
31 December 2023	54,514	(13,008)	41,506

36 Surplus reserve

Under PRC Law, the Bank is required to transfer 10% of its net profit determined under the PRC GAAP to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of this reserve has reached 50% of share capital. Pursuant to the resolution of the Board of Directors' Meeting held on 28 March 2025, an appropriation of 10% of the profit for the current year, determined under the generally accepted accounting principles of the PRC, to the statutory surplus reserve, in the amount of RMB27,500 million (2023: RMB26,240 million) was approved. In addition, certain subsidiaries and overseas branches also appropriated surplus reserves in accordance with local requirements.

Subject to the approval of the ordinary equity holders, the statutory surplus reserves can be used for replenishing accumulated losses or increasing the Bank's ordinary share capital. The statutory surplus reserves amount used to increase the ordinary share capital is limited to a level where the balance of the statutory surplus reserves after such capitalization is not less than 25% of the ordinary share capital.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37 General reserve

Pursuant to Caijin [2012] No. 20 "Requirements on Impairment Allowance for Financial Institutions" (the "Requirement") issued by the MOF, effective on 1 July 2012, in addition to impairment allowance, the Bank establishes a general reserve within ordinary equity holders' equity through the appropriation of profit to address unidentified potential losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement. The general reserve includes regulatory reserve appropriated by the Bank's overseas branches pursuant to local regulatory requirements.

Pursuant to relevant PRC domestic regulatory requirements, some domestic subsidiaries of the Bank are required to appropriate certain amounts of their net profit as general reserves.

During the year ended 31 December 2024, the Group transferred RMB76,791 million (2023: RMB67,600 million) to the General Reserve pursuant to the regulatory requirements in the PRC and overseas jurisdictions. Of this amount, RMB75,629 million (2023: RMB67,557 million) related to the appropriation proposed for the year ended 31 December 2023 which was approved in the annual general meeting held on 21 May 2024.

On 28 March 2025, the Board of Directors' meeting approved a proposal of appropriation of RMB37,268 million to general reserve. Such appropriation will be recognized in the Group's consolidated financial statements after approval by ordinary equity holders in the forthcoming annual general meeting.

38 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include the following balances with an original maturity of three months or less:

	As at 31 December	
	2024	2023
Cash	**67,208**	71,140
Balance with central banks	**46,885**	338,123
Deposits with banks and other financial institutions	**191,562**	156,452
Placements with and loans to banks and other financial institutions	**187,085**	143,220
Financial assets held under resale agreements	**1,353,872**	1,803,790
Total	**1,846,612**	2,512,725

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 Operating segments

Operating segments are identified on the basis of internal organizational structure, management requirements and internal management reporting rules of the Group that are regularly reviewed by the Board and relevant management committees, which constitute the chief operating decision makers, for the purposes of allocating resources to segments and assessing their performance. The Group's chief operating decision makers review three different sets of financial information based on (i) geographical locations, (ii) business activities and (iii) County Area and Urban Area banking business.

The measurement of segment assets and liabilities, as well as segment revenue, expense and results are based on the Group's accounting policies. There is no difference between the accounting policies used in the preparation of the consolidated financial statements and those used in preparing the operating segment information.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment.

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Geographical operating segments

The details of the geographical operating segments are as follows:

Head Office	
Yangtze River Delta:	Shanghai, Jiangsu, Zhejiang, Ningbo
Pearl River Delta:	Guangdong, Shenzhen, Fujian, Xiamen
Bohai Rim:	Beijing, Tianjin, Hebei, Shandong, Qingdao
Central China:	Shanxi, Hubei, Henan, Hunan, Jiangxi, Hainan, Anhui
Western China:	Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang (including Xinjiang Production and Construction Corps Branch), Tibet, Inner Mongolia, Guangxi
Northeastern China:	Liaoning, Heilongjiang, Jilin, Dalian
Overseas and Others:	Subsidiaries and overseas branches

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 Operating segments (Continued)

Geographical operating segments (Continued)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
For the year ended 31 December 2024										
External interest income	435,886	204,370	128,353	108,777	137,162	183,016	23,265	54,851	–	1,275,680
External interest expense	(114,773)	(141,547)	(89,186)	(98,893)	(85,839)	(90,028)	(26,908)	(47,814)	–	(694,988)
Inter-segment net interest (expense)/income	(437,812)	101,096	68,932	96,446	74,641	65,028	30,075	1,594	–	–
Net interest (expense)/income	(116,699)	163,919	108,099	106,330	125,964	158,016	26,432	8,631	–	580,692
Fee and commission income	40,846	13,213	8,753	6,909	7,747	8,844	1,316	2,337	–	89,965
Fee and commission expense	(4,518)	(1,897)	(1,691)	(1,559)	(2,359)	(2,096)	(447)	169	–	(14,398)
Net fee and commission income	36,328	11,316	7,062	5,350	5,388	6,748	869	2,506	–	75,567
Net trading gain	16,307	125	79	70	55	90	28	8,751	–	25,505
Net gain/(loss) on financial investments	12,249	(131)	42	(106)	222	19	61	8,259	–	20,615
Net gain/(loss) on derecognition of financial assets measured at amortized cost	7,294	–	–	–	–	–	–	(127)	–	7,167
Other operating (expenses)/income	(3,571)	1,024	639	650	410	1,338	116	1,264	–	1,870
Operating income	(48,092)	176,253	115,921	112,294	132,039	166,211	27,506	29,284	–	711,416
Operating expenses	(18,309)	(44,065)	(31,054)	(36,942)	(45,101)	(59,422)	(15,445)	(10,842)	–	(261,180)
Credit impairment losses	(12,619)	(16,318)	(21,885)	(14,315)	(27,972)	(31,987)	(4,151)	(1,593)	–	(130,840)
Impairment losses on other assets	–	–	–	(76)	(6)	(109)	(23)	(53)	–	(267)
Operating (loss)/profit	(79,020)	115,870	62,982	60,961	58,960	74,693	7,887	16,796	–	319,129
Share of results of associates and joint ventures	119	–	–	–	–	–	–	(47)	–	72
(Loss)/profit before tax	(78,901)	115,870	62,982	60,961	58,960	74,693	7,887	16,749	–	319,201
Income tax expense										(36,530)
Profit for the year										282,671
Depreciation and amortization included in operating expenses	4,155	3,314	2,428	3,410	3,661	4,497	1,193	211	–	22,869
Capital expenditure	5,794	3,096	990	1,800	2,209	4,166	565	4,170	–	22,790
As at 31 December 2024										
Segment assets	8,977,880	8,768,577	6,026,055	7,290,704	6,359,444	7,760,397	1,923,391	1,494,791	(5,511,113)	43,090,126
Including: Investment in associates and joint ventures	4,323	–	–	–	–	–	–	6,009	–	10,332
Unallocated assets										148,009
Total assets										43,238,135
Including: Non-current assets (1)	25,049	29,998	18,351	28,481	27,376	42,956	9,368	30,290	–	211,869
Segment liabilities	(5,858,397)	(8,787,161)	(6,074,550)	(7,314,968)	(6,405,138)	(7,847,114)	(1,938,570)	(1,419,980)	5,511,086	(40,134,792)
Unallocated liabilities										(6,070)
Total liabilities										(40,140,862)
Loan commitments and financial guarantee contracts	96,771	704,451	539,770	509,058	420,872	372,972	98,763	131,694	–	2,874,351

(1) Non-current assets include property and equipment, investment properties, right-of-use assets, land use rights, intangible assets and other long-term assets.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 Operating segments (Continued)

Geographical operating segments (Continued)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
For the year ended 31 December 2023										
External interest income	397,593	200,502	132,037	108,658	132,866	179,421	23,223	49,398	–	1,223,698
External interest expense	(90,200)	(142,182)	(85,091)	(96,130)	(82,364)	(88,601)	(25,613)	(41,767)	–	(651,948)
Inter-segment net interest (expense)/income	(382,914)	90,684	55,519	85,900	66,662	58,628	26,476	(955)	–	–
Net interest (expense)/income	(75,521)	149,004	102,465	98,428	117,164	149,448	24,086	6,676	–	571,750
Fee and commission income	39,613	13,708	10,710	7,998	8,291	10,646	1,581	2,163	–	94,710
Fee and commission expense	(4,179)	(2,255)	(1,940)	(1,405)	(2,164)	(1,977)	(432)	(265)	–	(14,617)
Net fee and commission income	35,434	11,453	8,770	6,593	6,127	8,669	1,149	1,898	–	80,093
Net trading gain	19,723	318	47	52	31	84	21	2,848	–	23,124
Net gain/(loss) on financial investments	9,687	(26)	(234)	(337)	(95)	(1,245)	(158)	9,172	–	16,764
Net gain on derecognition of financial assets measured at amortized cost	1,019	–	–	–	–	–	–	19	–	1,038
Other operating (expenses)/income	(5,912)	1,146	708	667	542	1,447	141	3,960	–	2,699
Operating income	(15,570)	161,895	111,756	105,403	123,769	158,403	25,239	24,573	–	695,468
Operating expenses	(17,486)	(42,981)	(30,754)	(35,379)	(42,790)	(57,153)	(15,183)	(10,579)	–	(252,305)
Credit impairment reversal/(losses)	2,259	(33,117)	(28,405)	(13,904)	(25,486)	(32,508)	(3,619)	(927)	–	(135,707)
Impairment losses on other assets	–	–	–	(6)	(3)	(152)	(7)	(58)	–	(226)
Operating (loss)/profit	(30,797)	85,797	52,597	56,114	55,490	68,590	6,430	13,009	–	307,230
Share of results of associates and joint ventures	62	–	–	–	–	–	–	127	–	189
(Loss)/profit before tax	(30,735)	85,797	52,597	56,114	55,490	68,590	6,430	13,136	–	307,419
Income tax expense										(37,599)
Profit for the year										269,820
Depreciation and amortization included in operating expenses	3,191	3,322	2,424	3,306	3,565	4,332	1,205	276	–	21,621
Capital expenditure	5,896	4,403	1,132	1,747	2,766	4,324	601	4,618	–	25,487
As at 31 December 2023										
Segment assets	7,558,728	8,474,485	5,518,775	7,096,125	5,829,445	7,199,820	1,702,189	1,324,190	(4,991,518)	39,712,239
Including: Investment in associates and joint ventures	2,151	–	–	–	–	–	–	6,235	–	8,386
Unallocated assets										160,750
Total assets										39,872,989
Including: Non-current assets (1)	22,161	31,104	19,109	29,538	28,509	43,033	9,911	28,814	–	212,179
Segment liabilities	(4,656,956)	(8,489,977)	(5,527,881)	(7,115,660)	(5,869,208)	(7,268,814)	(1,714,337)	(1,285,316)	4,991,564	(36,936,585)
Unallocated liabilities										(39,537)
Total liabilities										(36,976,122)
Loan commitments and financial guarantee contracts	6,248	764,394	516,437	522,572	425,483	414,311	96,407	109,913	–	2,855,765

(1) Non-current assets include property and equipment, investment properties, right-of-use assets, land use rights, intangible assets and other long-term assets.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 Operating segments (Continued)

Business operating segments

The details of the business operating segments are as follows:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The range of products and services includes corporate loans and advances, trade finance, deposit products, corporate wealth management services and other types of corporate intermediary services.

Personal banking

The personal banking segment provides financial products and services to individual customers. The range of products and services includes personal loans, personal deposit, card business, personal wealth management services and other types of personal intermediary services.

Treasury operations

The Group's treasury operations conduct money market and repurchase transactions, debt instruments investments, precious metal transactions and derivative transactions for its own accounts or on behalf of customers.

Others

Others comprise components of the Group that are not attributable to any of the above segments, along with certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 Operating segments (Continued)

Business operating segments *(Continued)*

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the year ended 31 December 2024					
External interest income	**496,875**	**319,168**	**450,167**	**9,470**	**1,275,680**
External interest expense	**(206,521)**	**(277,452)**	**(205,287)**	**(5,728)**	**(694,988)**
Inter-segment net interest (expense)/income	**(42,513)**	**306,676**	**(264,163)**	**–**	**–**
Net interest income/ (expense)	**247,841**	**348,392**	**(19,283)**	**3,742**	**580,692**
Fee and commission income	**37,954**	**47,836**	**796**	**3,379**	**89,965**
Fee and commission expense	**(6,954)**	**(6,988)**	**(45)**	**(411)**	**(14,398)**
Net fee and commission income	**31,000**	**40,848**	**751**	**2,968**	**75,567**
Net trading gain	**–**	**–**	**23,361**	**2,144**	**25,505**
Net (loss)/gain on financial investments	**(1,035)**	**(11)**	**13,469**	**8,192**	**20,615**
Net gain/(loss) on derecognition of financial assets measured at amortized cost	**–**	**–**	**7,317**	**(150)**	**7,167**
Other operating income/ (expenses)	**1,072**	**630**	**(6,643)**	**6,811**	**1,870**
Operating income	**278,878**	**389,859**	**18,972**	**23,707**	**711,416**
Operating expenses	**(84,459)**	**(137,061)**	**(28,450)**	**(11,210)**	**(261,180)**
Credit impairment losses	**(43,723)**	**(78,831)**	**(7,736)**	**(550)**	**(130,840)**
Impairment losses on other assets	**(267)**	**–**	**–**	**–**	**(267)**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 Operating segments (Continued)

Business operating segments *(Continued)*

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
Operating profit/(loss)	**150,429**	**173,967**	**(17,214)**	**11,947**	**319,129**
Share of results of associates and joint ventures	**–**	**–**	**–**	**72**	**72**
Profit/(loss) before tax	**150,429**	**173,967**	**(17,214)**	**12,019**	**319,201**
Income tax expense					**(36,530)**
Profit for the year					**282,671**
Depreciation and amortization included in operating expenses	**5,939**	**12,400**	**4,225**	**305**	**22,869**
Capital expenditure	**3,961**	**10,420**	**4,225**	**4,184**	**22,790**
As at 31 December 2024					
Segment assets	**15,499,878**	**8,739,885**	**18,317,472**	**532,891**	**43,090,126**
Including: Investment in associates and joint ventures	**–**	**–**	**–**	**10,332**	**10,332**
Unallocated assets					**148,009**
Total assets					**43,238,135**
Segment liabilities	**(11,344,305)**	**(19,238,312)**	**(9,081,221)**	**(470,954)**	**(40,134,792)**
Unallocated liabilities					**(6,070)**
Total liabilities					**(40,140,862)**
Loan commitments and financial guarantee contracts	**1,972,767**	**901,584**	**–**	**–**	**2,874,351**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 Operating segments (Continued)

***Business operating segments** (Continued)*

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the year ended 31 December 2023					
External interest income	473,888	334,386	407,274	8,150	1,223,698
External interest expense	(217,604)	(270,601)	(158,505)	(5,238)	(651,948)
Inter-segment net interest (expense)/income	(36,887)	276,058	(239,171)	–	–
Net interest income	219,397	339,843	9,598	2,912	571,750
Fee and commission income	59,445	31,114	693	3,458	94,710
Fee and commission expense	(6,873)	(7,261)	(44)	(439)	(14,617)
Net fee and commission income	52,572	23,853	649	3,019	80,093
Net trading gain/(loss)	–	–	23,688	(564)	23,124
Net (loss)/gain on financial investments	(1,943)	(81)	9,616	9,172	16,764
Net gain on derecognition of financial assets measured at amortized cost	–	–	1,019	19	1,038
Other operating income/ (expenses)	1,498	1,222	(5,356)	5,335	2,699
Operating income	271,524	364,837	39,214	19,893	695,468
Operating expenses	(81,675)	(130,482)	(29,268)	(10,880)	(252,305)
Credit impairment (losses)/ reversal	(100,615)	(41,347)	6,188	67	(135,707)
Impairment losses on other assets	(181)	(3)	–	(42)	(226)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 Operating segments (Continued)

***Business operating segments** (Continued)*

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
Operating profit	89,053	193,005	16,134	9,038	307,230
Share of results of associates and joint ventures	–	–	–	189	189
Profit before tax	89,053	193,005	16,134	9,227	307,419
Income tax expense					(37,599)
Profit for the year					269,820
Depreciation and amortization included in operating expenses	5,521	11,549	4,220	331	21,621
Capital expenditure	4,482	11,484	4,902	4,619	25,487
As at 31 December 2023					
Segment assets	13,958,729	8,025,832	17,257,302	470,376	39,712,239
Including: Investment in associates and joint ventures	–	–	–	8,386	8,386
Unallocated assets					160,750
Total assets					39,872,989
Segment liabilities	(11,715,620)	(17,803,059)	(7,042,912)	(374,994)	(36,936,585)
Unallocated liabilities					(39,537)
Total liabilities					(36,976,122)
Loan commitments and financial guarantee contracts	1,946,877	908,888	–	–	2,855,765

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 Operating segments (Continued)

County Area and Urban Area segments

The Group's operating segments organized by County Area and Urban Area banking business are set out as follows:

County Area banking business

The Group's County Area banking business provides a broad range of financial products and services to customers in designated County Area, through its operating branches in the counties or county-level cities throughout the PRC. The products and services mainly comprise loans, deposits, bank cards, and other types of intermediary services.

Urban Area banking business

The Group's Urban Area banking business comprises all banking activities outside of the County Area banking business, overseas branches and subsidiaries.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 Operating segments (Continued)

***County Area and Urban Area segments** (Continued)*

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
For the year ended 31 December 2024				
External interest income	331,861	943,819	–	1,275,680
External interest expense	(201,480)	(493,508)	–	(694,988)
Inter-segment net interest income/(expense)	181,944	(181,944)	–	–
Net interest income	312,325	268,367	–	580,692
Fee and commission income	36,754	53,211	–	89,965
Fee and commission expense	(6,007)	(8,391)	–	(14,398)
Net fee and commission income	30,747	44,820	–	75,567
Net trading gain	406	25,099	–	25,505
Net gain on financial investments	153	20,462	–	20,615
Net gain on derecognition of financial assets measured at amortized cost	–	7,167	–	7,167
Other operating income/(expense)	5,916	(4,046)	–	1,870
Operating income	349,547	361,869	–	711,416
Operating expenses	(120,273)	(140,907)	–	(261,180)
Credit impairment losses	(43,201)	(87,639)	–	(130,840)
Impairment losses on other assets	(134)	(133)	–	(267)
Operating profit	185,939	133,190	–	319,129
Share of results of associates and joint ventures	–	72	–	72
Profit before tax	185,939	133,262	–	319,201
Income tax expense				(36,530)
Profit for the year				282,671
Depreciation and amortization included in operating expenses	9,474	13,395	–	22,869
Capital expenditure	3,531	19,259	–	22,790
As at 31 December 2024				
Segment assets	14,756,722	28,866,082	(532,678)	43,090,126
Including: Investment in associates and joint ventures	–	10,332	–	10,332
Unallocated assets				148,009
Total assets				43,238,135
Segment liabilities	(13,735,194)	(26,932,276)	532,678	(40,134,792)
Unallocated liabilities				(6,070)
Total liabilities				(40,140,862)
Loan commitments and financial guarantee contracts	781,291	2,093,060	–	2,874,351

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 Operating segments (Continued)

***County Area and Urban Area segments** (Continued)*

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
For the year ended 31 December 2023				
External interest income	316,890	906,808	–	1,223,698
External interest expense	(196,647)	(455,301)	–	(651,948)
Inter-segment net interest income/(expense)	174,218	(174,218)	–	–
Net interest income	294,461	277,289	–	571,750
Fee and commission income	38,726	55,984	–	94,710
Fee and commission expense	(6,051)	(8,566)	–	(14,617)
Net fee and commission income	32,675	47,418	–	80,093
Net trading (loss)/gain	(648)	23,772	–	23,124
Net (loss)/gain on financial investments	(51)	16,815	–	16,764
Net gain on derecognition of financial assets measured at amortized cost	–	1,038	–	1,038
Other operating income/(expense)	5,174	(2,475)	–	2,699
Operating income	331,611	363,857	–	695,468
Operating expenses	(117,196)	(135,109)	–	(252,305)
Credit impairment losses	(61,821)	(73,886)	–	(135,707)
Impairment losses on other assets	(45)	(181)	–	(226)
Operating profit	152,549	154,681	–	307,230
Share of results of associates and joint ventures	–	189	–	189
Profit before tax	152,549	154,870	–	307,419
Income tax expense				(37,599)
Profit for the year				269,820
Depreciation and amortization included in operating expenses	8,805	12,816	–	21,621
Capital expenditure	4,655	20,832	–	25,487
As at 31 December 2023				
Segment assets	13,702,772	26,178,127	(168,660)	39,712,239
Including: Investment in associates and joint ventures	–	8,386	–	8,386
Unallocated assets				160,750
Total assets				39,872,989
Segment liabilities	(12,735,059)	(24,370,186)	168,660	(36,936,585)
Unallocated liabilities				(39,537)
Total liabilities				(36,976,122)
Loan commitments and financial guarantee contracts	1,016,655	1,839,110	–	2,855,765

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 Related party transactions

(1) The Group and the MOF

As at 31 December 2024, the MOF directly owned 35.29% (31 December 2023: 35.29%) of the ordinary shares of the Bank.

The MOF is a Chinese government ministry, primarily responsible for managing state fiscal revenue and expenditure, and establishing and enforcing taxation policies. It reports to the Chinese State Council.

The Group enters into transactions with the MOF in its ordinary course of business under normal commercial terms. Details of the major balances and transactions are as follows:

	31 December 2024		31 December 2023	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Assets				
Treasury bonds and special government bond	**3,023,971**	**21.84%**	1,345,831	12.00%
Receivable from the MOF	**348,136**	**2.51%**	340,595	3.04%
Liabilities				
Due to customers	**3,414**	**0.01%**	2,935	0.01%
Other liabilities				
— Redemption of treasury bonds on behalf of the MOF	**–**	**–**	4	0.00%
— Amount payable to the MOF	**266**	**0.05%**	302	0.06%

	Year ended 31 December			
	2024		2023	
	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income	**77,261**	**6.06%**	44,768	3.66%
Interest expense	**(74)**	**0.01%**	(338)	0.05%
Fee and commission income	**1,646**	**1.83%**	1,707	1.80%
Net trading gain	**135**	**0.53%**	143	0.62%

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 Related party transactions (Continued)

(1) *The Group and the MOF (Continued)*

Interest rate ranges for transactions with the MOF during the year are as follows:

	Year ended 31 December	
	2024	2023
	%	%
Treasury bonds and receivable from the MOF	**0.00–9.00**	0.00–9.00
Due to customers	**0.0001–3.96**	0.0001–5.49

The Group's redemption commitment for treasury bonds underwriting is disclosed in Note IV 42 Contingent liabilities and commitments.

(2) *The Group and Huijin*

Central Huijin Investment Ltd. ("Huijin") is a wholly state-owned company through state investment in accordance with the Company Law of the PRC, which is incorporated with authorized capital of RMB828,209 million in Beijing, PRC. The State Council has authorized Huijin to make equity investments in major state-owned financial institutions to preserve and increase the value of these state-owned financial assets. Huijin can exercise rights and shall assume obligations on major state-owned financial institutions as an investor on behalf of the state to the extent of its capital contribution. Huijin does not engage in other commercial activities nor intervene in the normal operations of major state-owned financial institutions which are controlled by Huijin.

As at 31 December 2024, Huijin directly owned 40.14% (31 December 2023: 40.14%) of the ordinary shares of the Bank.

Transactions with Huijin

The Group enters into transactions with Huijin in its ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

	31 December 2024		31 December 2023	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Assets				
Loans and advances to customers	**61,634**	**0.26%**	12,009	0.06%
Financial investments	**51,922**	**0.37%**	36,044	0.32%
Liabilities				
Due to customers	**34,257**	**0.11%**	13,566	0.05%

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 Related party transactions (Continued)

(2) The Group and Huijin (Continued)

Transactions with Huijin (Continued)

	Year ended 31 December			
	2024		2023	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**2,186**	**0.17%**	1,218	0.10%
Interest expense	**(247)**	**0.04%**	(138)	0.02%
Net trading gain	**1**	**0.00%**	3	0.01%

Interest rate ranges for transactions with Huijin during the year are as follows:

	Year ended 31 December	
	2024	2023
	%	%
Loans and advances to customers	**2.35**	2.70
Financial investments	**1.90–4.20**	2.28–4.23
Due to customers	**0.15–1.90**	1.40–1.90

Transactions with companies under Huijin

Huijin has equity interests in certain other banks and financial institutions under the direction of the Central Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 Related party transactions (Continued)

(2) *The Group and Huijin (Continued)*

Transactions with companies under Huijin (Continued)

	31 December 2024		31 December 2023	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Assets				
Deposits with banks and other financial institutions	265,209	46.37%	381,644	35.33%
Placements with and loans to banks and other financial institutions	106,782	20.16%	90,166	17.47%
Derivative financial assets	10,604	16.09%	3,964	15.94%
Financial assets held under resale agreements	119,950	8.75%	78,375	4.33%
Loans and advances to customers	36,024	0.15%	27,397	0.13%
Financial investments	1,171,357	8.46%	1,072,258	9.56%
Liabilities				
Deposits from banks and other financial institutions	138,487	2.97%	169,162	4.63%
Placements from banks and other financial institutions	114,657	31.50%	120,656	31.56%
Derivative financial liabilities	9,277	15.95%	5,040	18.12%
Financial assets sold under repurchase agreements	27,533	4.47%	5,902	5.87%
Due to customers	910	0.00%	473	0.00%
Equity				
Other equity instruments	1,913	0.38%	2,000	0.42%
Off-balance sheet items				
Letters of guarantee and guarantees	379	0.09%	444	0.12%

	Year ended 31 December			
	2024		2023	
	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income	18,148	1.42%	15,820	1.29%
Interest expense	(3,274)	0.47%	(1,878)	0.29%
Net trading gain/(loss)	1,873	7.34%	(1,077)	N/A
Net gain on financial investments	4,149	20.13%	2,352	14.03%

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 Related party transactions (Continued)

(2) *The Group and Huijin (Continued)*

Transactions with companies under Huijin (Continued)

Interest rate ranges for transactions with companies under Huijin during the year are as follows:

	Year ended 31 December	
	2024 %	2023 %
Deposits with banks and other financial institutions	**-0.45–4.40**	-0.60–4.23
Placements with and loans to banks and other financial institutions	**0.55–5.77**	-0.15–6.58
Derivative financial assets	**-0.002–5.20**	-0.004–5.00
Financial assets held under resale agreements	**1.55–2.28**	1.75–4.60
Loans and advances to customers	**0.00–5.10**	0.00–4.90
Financial investments	**0.00–6.69**	0.00–8.75
Deposits from banks and other financial institutions	**0.00–5.30**	0.00–6.10
Placements from banks and other financial institutions	**0.28–5.77**	2.75–6.02
Derivative financial liabilities	**0.02–5.20**	0.02–5.50
Financial assets sold under repurchase agreements	**1.65–2.20**	1.81–5.87
Due to customers	**0.0001–0.45**	0.05–1.55
Other equity instruments	**4.84**	4.84

(3) *The Group and National Council for Social Security Fund of the People's Republic of China*

As at 31 December 2024, the Bank's shares held by National Council for Social Security Fund of the People's Republic of China (the "SSF") accounted for 6.72% of the Bank's total share capital (31 December 2023: 6.72%). The Group enters into transactions with the SSF in the ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

	31 December 2024		31 December 2023	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Assets				
Financial assets held under resale agreements	**33,960**	**2.48%**	36,114	2.00%
Liabilities				
Due to customers	**161,547**	**0.53%**	129,383	0.45%
Equity				
Other equity instruments	**1,250**	**0.25%**	1,250	0.26%

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 Related party transactions (Continued)

(3) *The Group and National Council for Social Security Fund of the People's Republic of China (Continued)*

	Year ended 31 December			
	2024		2023	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**7**	**0.00%**	31	0.00%
Interest expense	**(5,759)**	**0.83%**	(4,518)	0.69%

Interest rate ranges for transactions with SSF during the year are as follows:

	Year ended 31 December	
	2024 %	2023 %
Financial assets held under resale agreements	**1.95–2.15**	2.50–4.50
Due to customers	**0.10–4.26**	0.40–4.26
Other equity instruments	**4.84**	4.84

(4) *The Group and other government related entities*

Other than disclosed above, a significant portion of the Group's banking transactions are entered into with government authorities, agencies, affiliates and other State controlled entities. These transactions are entered into under normal commercial terms and conditions and mainly include provision of credit and guarantee, deposits, foreign exchange transactions, derivative transactions, agency services, underwriting and distribution of bonds issued by government agencies, purchase, sales and redemption of investment securities issued by government agencies.

Management considers that these transactions are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government authorities, agencies, affiliates and other State controlled entities.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 Related party transactions (Continued)

(5) The Bank and its subsidiaries

The Bank had the following balances and transactions with its subsidiaries in its ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

	31 December 2024		31 December 2023	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Assets				
Placements with and loans to banks and other financial institutions	84,334	15.92%	84,613	16.39%
Loans and advances to customers	4,844	0.02%	4,697	0.02%
Financial investments	1,121	0.01%	1,218	0.01%
Deposits with banks and other financial institutions	51	0.01%	3	0.00%
Other assets	469	0.15%	354	0.18%
Liabilities				
Deposits from banks and other financial institutions	12,256	0.26%	5,901	0.16%
Placements from banks and other financial institutions	823	0.23%	952	0.25%
Due to customers	2,798	0.01%	2,025	0.01%
Other liabilities	510	0.09%	44	0.01%
Off-balance sheet items				
Letters of guarantee and guarantees	146	0.04%	889	0.24%
Non-principal guaranteed wealth management products issued by the Group	35	0.00%	–	–

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 Related party transactions (Continued)

(5) The Bank and its subsidiaries (Continued)

	Year ended 31 December			
	2024		2023	
	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income	**1,575**	**0.12%**	1,625	0.13%
Net gain on financial investments	**13**	**0.06%**	17	0.10%
Fee and commission income	**1,707**	**1.90%**	2,006	2.12%
Other operating income	**199**	**10.64%**	196	7.26%
Interest expense	**(196)**	**0.03%**	(174)	0.03%
Fee and commission expense	**(485)**	**3.37%**	(101)	0.69%
Operating expense	**(744)**	**0.28%**	(335)	0.13%

Interest rate ranges for transactions with its subsidiaries during the year are as follows:

	Year ended 31 December	
	2024 %	2023 %
Placements with and loans to banks and other financial institutions	**1.62–5.50**	1.62–7.40
Loans and advances to customers	**3.95–4.65**	4.20–6.55
Financial investments	**2.25–2.80**	0.00–2.80
Deposits with banks and other financial institutions	**0.02**	0.00
Deposits from banks and other financial institutions	**0.00–5.27**	0.00–5.30
Placements from banks and other financial institutions	**0.00**	1.62–5.90
Due to customers	**0.01–1.45**	0.01–3.10

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 Related party transactions (Continued)

(6) The Group and its associates and joint ventures

The Group had the following balances and transactions with its associates and joint ventures in its ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

	31 December 2024		31 December 2023	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Assets				
Loans and advances to customers	**985**	**0.00%**	996	0.00%
Liabilities				
Deposits from banks and other financial institutions	**27**	**0.00%**	47	0.00%
Due to customers	**3**	**0.00%**	66	0.00%

	Year ended 31 December			
	2024		2023	
	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income	**26**	**0.00%**	39	0.00%
Interest expense	**0**	**0.00%**	(1)	0.00%

Interest rate ranges for transactions with its associates and joint ventures during the year are as follows:

	Year ended 31 December	
	2024 %	2023 %
Loans and advances to customers	**3.45**	3.85
Deposits from banks and other financial institutions	**0.00–4.40**	0.00–1.55
Due to customers	**0.10**	0.20–1.75

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 Related party transactions (Continued)

(7) Key management personnel and related natural persons transactions

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group. Key management personnel of the Group, their close relatives, and entities that are controlled, jointly controlled, or significantly influenced by either the key management personnel of the Group or their close relatives, are considered as related parties of the Group. The Group enters into banking transactions with above related parties in the normal course of business. As at 31 December 2024, the balance of loans and advances to the above related parties is RMB12.10 million (31 December 2023: RMB7.40 million).

The Bank issued loans and credit card business to related natural persons (as defined in the Administrative Measures on Information Disclosure of Listed Companies issued by the China Securities Regulatory Commission (the "CSRC")). As at 31 December 2024, the balance of such loans amounted to RMB12.26 million (31 December 2023: RMB12.56 million).

The remuneration of Directors and other members of key management during the years was as follows:

	Year ended 31 December	
	2024 (millions)	2023 (Restated) (millions)
Salaries, bonuses and staff welfare	**10.22**	13.87

According to the regulations of the relevant authorities in the PRC, the key management personnel's final emoluments for the year ended 31 December 2024 have not been finalized. Management of the Group believes that the difference between the final emoluments and that disclosed above will not have significant impact on the consolidated financial statements of the Group. The final compensation will be disclosed in a separate announcement when determined.

The compensation of key management personnel for the year ended 31 December 2023 was not decided at the time when the Group's 2023 consolidated financial statements were released and the amount of remuneration of key management personnel recognized in the consolidated statement of profit or loss for the year of 2023 was RMB10.86 million. Supplementary announcement on final compensation of RMB13.87 million was released by the Bank on 30 October 2024. The comparative figures for the year of 2023 have been restated accordingly.

(8) Related party transactions defined by NFRA

As at 31 December 2024, the Bank's balance of credit related transactions to the related parties as defined in the Rules on Related-Party Transactions of Banking and Insurance Institutions by the NFRA totalled RMB210,123 million (31 December 2023: RMB206,272 million) and the amount of non-credit transaction totalled RMB44,244 million (31 December 2023: 44,692 million).

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 Related party transactions (Continued)

(9) The Group and the Annuity Scheme

The Group had the following balances and transactions with the Annuity Scheme set up by the Bank apart from the obligation for defined contribution to the Annuity Scheme:

	31 December 2024		31 December 2023	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Liabilities				
Deposits from Annuity Scheme	**959**	**0.00%**	7,290	0.03%
Equity				
Other equity instruments	**7,500**	**1.50%**	7,500	1.56%

	Year ended 31 December			
	2024		2023	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest expense	**(62)**	**0.01%**	(298)	0.05%

Interest rate ranges for transactions with the Annuity Scheme during the year are as follows:

	Year ended 31 December	
	2024 %	2023 %
Deposits from Annuity Scheme	**0.00–4.80**	0.00–5.00
Other equity instruments	**4.84–5.32**	4.84–5.32

(10) Proportion of transactions with major related parties

Related party transactions with subsidiaries have been offset in the process of preparing consolidated financial statements. When calculating the proportion of related party transactions, related party transactions do not include related party transactions with subsidiaries.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 Related party transactions (Continued)

(10) Proportion of transactions with major related parties (Continued)

(i) Transaction balance

	31 December 2024		31 December 2023	
	Related party transactions	**Proportion**	Related party transactions	Proportion
Deposits with banks and other financial institutions	**265,209**	**46.37%**	381,644	35.33%
Placements with and loans to banks and other financial institutions	**106,782**	**20.16%**	90,166	17.47%
Derivative financial assets	**10,604**	**16.09%**	3,964	15.94%
Financial assets held under resale agreements	**153,910**	**11.22%**	114,489	6.33%
Loans and advances to customers	**98,643**	**0.41%**	40,402	0.19%
Financial investments	**4,595,386**	**33.18%**	2,794,728	24.92%
Deposits from banks and other financial institutions	**138,514**	**2.97%**	169,209	4.63%
Placements from banks and other financial institutions	**114,657**	**31.50%**	120,656	31.56%
Derivative financial liabilities	**9,277**	**15.95%**	5,040	18.12%
Financial assets sold under repurchase agreements	**27,533**	**4.47%**	5,902	5.87%
Due to customers	**201,090**	**0.66%**	153,713	0.53%
Other liabilities	**266**	**0.05%**	306	0.06%
Other equity instruments	**10,663**	**2.13%**	10,750	2.24%
Letters of guarantee and guarantees	**379**	**0.09%**	444	0.12%

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 Related party transactions (Continued)

(10) Proportion of transactions with major related parties (Continued)

(ii) Transaction amount

	Year ended 31 December			
	2024		2023	
	Related party transactions	Proportion	Related party transactions	Proportion
Interest income	**97,628**	**7.65%**	61,876	5.06%
Interest expense	**(9,416)**	**1.35%**	(7,171)	1.10%
Net trading gian/(loss)	**2,009**	**7.88%**	(931)	N/A
Net gain on financial investments	**4,149**	**20.13%**	2,352	14.03%
Fee and commission income	**1,646**	**1.83%**	1,707	1.80%

41 Structured entities

(1) Consolidated structured entities

Structured entities consolidated by the Group include certain asset management plans, funds and securitization products issued, managed and/or invested by the Group. The Group controls these entities because the Group has power over, is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns.

(2) Unconsolidated structured entities

Unconsolidated structured entities sponsored and managed by the Group

Unconsolidated structured entities sponsored and managed by the Group mainly include non-principal guaranteed WMPs, which are not subject to any guarantee by the Group of the principal invested or interest to be paid. The WMPs invest in a range of assets, most typically money market instruments, debt securities and non-standardized debt assets. As the manager of these WMPs, the Group, on behalf of the investors in these WMPs, invests the funds raised from investors to the assets as described in the investment plan related to each WMP and distributes profits to investors based on product performance.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41 Structured entities (Continued)

(2) Unconsolidated structured entities (Continued)

Unconsolidated structured entities sponsored and managed by the Group (Continued)

As at 31 December 2024, the total assets invested by these non-principal guaranteed WMPs amounted to RMB2,068,000 million (31 December 2023: RMB1,774,790 million) and the corresponding outstanding WMPs issued by the Group amounted to RMB1,985,401 million (31 December 2023: RMB1,685,287 million). During the year ended 31 December 2024, the Group's interest in these WMPs included net fee and commission income of RMB4,018 million (2023: RMB3,440 million). The Group enters into placements and repo transactions at market interest rates with these WMPs, and the outstanding balance of these transactions represented the Group's maximum exposure to the WMPs. These transactions did not occur during the year ended 31 December 2024 (2023: the average exposure and the weighted average maturity period for the above-mentioned transactions were RMB4,105.5 thousand and 3 days respectively, and net interest income related to placements and repo transactions enter by the Group with these WMPs of RMB84.2 thousand). And there was no outstanding balance for the above-mentioned transactions at 31 December 2024 and 31 December 2023. The Group was under no obligation to enter into these transactions.

There were no contractual liquidity arrangements, guarantees or other commitments between the Group and any third parties that could increase the level of the Group's risk from WMPs disclosed above during the years ended 31 December 2024 and 31 December 2023. The Group was not required to absorb any losses incurred by WMPs.

In addition, other unconsolidated structured entities sponsored and managed by the Group included funds, asset management plans and asset-backed securities. As at 31 December 2024, the total assets of these products amounted to RMB295,296 million (31 December 2023: RMB308,643 million). During the year ended 31 December 2024, the Group's interest in these products mainly included net fee and commission income of RMB992 million (2023: RMB1,166 million).

Other unconsolidated structured entities held by the Group

The Group invests in other unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. These unconsolidated structured entities primarily include asset management plans, WMPs, funds, trust plans, asset-backed securities and debt investment plans. etc. As at 31 December 2024, the related carrying amount of investments and the maximum exposure by the Group to these other unconsolidated structured entities was RMB77,636 million (31 December 2023: RMB80,049 million), included under the financial assets at fair value through profit or loss, debt instrument investments at amortized cost and other debt instrument and other equity investments at fair value through other comprehensive income categories in the consolidated statement of financial position. The information on the size of total assets of these unconsolidated structured entities was not readily available in the public domain.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 Contingent liabilities and commitments

Legal proceedings and others

The Bank and its subsidiaries are involved as demandants/defendants in certain lawsuits arising from their normal business operations. As at 31 December 2024, provisions of RMB5,228 million were made by the Group (31 December 2023: RMB5,629 million) based on court judgments or advice of legal counsel, and included in Note IV 31 Other liabilities. Management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

Capital commitments

	As at 31 December	
	2024	2023
Contracted but not provided for	**4,079**	4,914

Loan commitments and financial guarantee contracts

	As at 31 December	
	2024	2023
Loan commitments		
— With an original maturity of less than 1 year	**10,249**	66,608
— With an original maturity of 1 year or above	**233,504**	299,239
Subtotal	**243,753**	365,847
Bank acceptances	**1,127,316**	1,024,150
Credit card commitments	**883,311**	873,029
Letters of guarantee and guarantees	**399,920**	373,915
Letters of credit	**220,051**	218,824
Total	**2,874,351**	2,855,765

Loan commitments and financial guarantee contracts represent credit cards and general credit facility limits granted to customers. These general credit facilities may be drawn in the form of loans or through the issuance of letters of credit, letters of guarantee and guarantees or bank acceptances.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 Contingent liabilities and commitments (Continued)

Credit risk weighted amount for credit commitments

Credit risk weighted amount for credit commitments represents the counterparty credit risk associated with credit commitments and is calculated in accordance with the "Capital Rules for Commercial Banks" issued by the NFRA which was effective on 1 January 2024 and is dependent on, among other factors, creditworthiness of counterparties and maturity characteristics of each type of contract.

	As at 31 December	
	2024	2023
Credit risk weighted amount for credit commitments	**1,524,062**	1,155,402

Collateral

Assets as collateral

At the end of each reporting period, the carrying amounts of assets pledged as collateral under repurchase agreements are as follows:

	As at 31 December	
	2024	2023
Debt securities	**632,614**	103,516
Bills	**3,524**	3,623
Total	**636,138**	107,139

As at 31 December 2024, the financial assets sold under repurchase agreements (disclosed in Note IV 28 Financial assets sold under repurchase agreements) by the Group amounted to RMB615,725 million (31 December 2023: RMB100,521 million). Repurchase agreements are primarily due within 1 year from the effective dates of these agreements.

Financial assets sold under repurchase agreements include certain transactions under which the title of the pledged securities has been transferred to counterparties. These transactions have been disclosed in Note IV 43 Transferred financial assets.

In addition, debt securities and deposits with banks and other financial institutions pledged in accordance with regulatory requirements as collateral for derivative transactions or borrowings from central banks etc. by the Group as at 31 December 2024 amounted to RMB1,318,868 million in total (31 December 2023: RMB1,558,063 million).

Collateral accepted

The Group received debt securities and bills as collateral in connection with the securities lending transactions and the purchase of assets under resale agreements (Note IV 16 Financial assets held under resale agreements). As at 31 December 2024, the Group has accepted collateral that can be resold or re-pledged with a fair value of RMB2,266 million and the Group did not resell or re-pledge any of these collateral accepted. As at 31 December 2023, the Group did not hold any collateral that can be resold or re-pledged.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 Contingent liabilities and commitments (Continued)

Redemption commitment for treasury bonds

The Group is entrusted by the MOF to underwrite certain treasury bonds. The investors of these treasury bonds have a right to redeem the bonds at any time prior to maturity and the Group is committed to honor such redemption requests. The redemption price is calculated as the nominal value of the bond plus payable interest in accordance with the terms of the related early redemption arrangement.

As at 31 December 2024, the nominal value of treasury bonds the Group was obligated to redeem prior to maturity was RMB46,052 million (31 December 2023: RMB48,783 million). The original maturities of these bonds vary from 3 to 5 years. Management of the Group expects the amount of redemption before the maturity dates of these bonds will not be material.

Commitment on security underwriting

As at 31 December 2024, the Group did not have unexpired securities underwriting obligations (31 December 2023: Nil).

43 Transferred financial assets

The Group enters into transactions in the normal course of business whereby it transfers recognized financial assets to third parties or to structured entities. In some cases these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group retains substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

Securitization transactions

The Group enters into securitization transactions in the normal course of business by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed, among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished its control over these assets based on the criteria as detailed in Note II 8.7 Derecognition of financial assets and Note III 6 Derecognition of financial assets transferred.

As at 31 December 2024, the total amount of unexpired asset-backed securities included accumulative loans transferred by the Group before impairment allowance was RMB122,382 million (31 December 2023: RMB116,040 million). RMB39,508 million of this balance (31 December 2023: RMB24,238 million) was in respect of non-performing loans and the Group concluded that these loans transferred were qualified for full derecognition. The remaining balance of RMB82,874 million (31 December 2023: RMB91,802 million) was in respect of performing loans and the Group concluded that it had continuing involvement in these assets. As at 31 December 2024, the Group continued to recognize assets of RMB7,887 million (31 December 2023: RMB8,519 million) under loans and advances to customers. The Group also recognized other assets and other liabilities of the same amount arising from such continuing involvement.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 Transferred financial assets (Continued)

Transfer of non-performing loans

During the year ended 31 December 2024, the Group transferred non-performing loans through disposal to third parties or issuing asset-back securities, with gross loan balance of RMB23,219 million (2023: RMB18,516 million). The Group carried out an assessment based on the criteria as detailed in Note II 8.7 and Note III 6 and concluded that these transferred assets were qualified for full derecognition.

Financial assets sold under repurchase agreements

The Group did not derecognize financial assets transferred as collateral in connection with repurchase agreements. As at 31 December 2024, the book value of the debt securities whereby legal title has been transferred to counterparties was RMB411,300 million (31 December 2023: RMB46,884 million), and these collateral pledged is disclosed in Note IV 42 Contingent liabilities and commitments – Collateral.

Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or repledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. As at 31 December 2024, the carrying amount of debt securities lent to counterparties was RMB27,790 million (31 December 2023: RMB26,400 million).

44 Financial risk management

Overview

The Group's primary risk management objective is to meet the requirements of stable operation from regulators, depositors and other stakeholders, as well as to maximize return for investors within an acceptable level of risk.

The Group has designed risk management policies, which address, among other things, the establishment of risk limits and controls to identify, analyze, monitor and report risks. Relevant and timely information used to conduct these risk management activities is provided through information systems maintained by the Group. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practices.

The most significant types of risk to which the Group is exposed are credit risk, market risk and liquidity risk. Market risk includes foreign exchange rate risk, interest rate risk and other price risk.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

Risk management framework

The Board of Directors of the Group is responsible for formulating the Group's overall risk appetite, reviewing and approving the Group's major risk management policies and procedures.

Senior Management of the Group is responsible for the implementation of risk management, including implementing risk appetite and risk management strategies, formulating risk management policies and procedures, and establishing a risk management organizational structure to manage the Group's major risks.

44.1 Credit risk

Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations when due. Credit risk can also arise from operational failures that result in an unauthorized or inappropriate loans and advances, commitment or investment. The Group's major credit risks arise from loans and advances, treasury operations and off-balance sheet related credit risk exposures.

The Group's credit risk management and governance structure comprise the Board of Directors and its Risk Management and Consumer Protection Committee, Senior Management and its Risk Management and Internal Control Committee, Credit Approval Committee and Asset Disposal Committee, Credit Management Department, Credit Approval Department and related front-office customer departments. The Group's credit risk management function operates under centralized management and authorization under a range of specified limits.

The Group performs standardized credit management procedures, including credit due diligence and proposal submission, credit underwriting review, loan disbursement, post-lending monitoring and non-performing loan management. The Group enhances its credit risk management by strictly complying with its credit management procedures; strengthening customer investigation, credit rating, lending approval and post-lending monitoring measures; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrading the credit management system.

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include: (1) ceasing enforcement activity and (2) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.1 Credit risk (Continued)

Credit risk management (Continued)

During the reporting period, the Group continued to improve the comprehensive risk management system to ensure effective risk management. The Group strengthened credit risk management in key areas and asset quality control and accelerated the disposal of non-performing loans to ensure the stability of assets quality.

Apart from the credit risk exposures on credit-related assets, the credit risk arising from treasury operation business is managed by selecting counterparties with acceptable credit quality, balancing credit risk and return, referencing to both internal and external credit rating information where available and applying appropriate limits subject to different level of management authority, and timely reviewing and adjusting those limits in credit system. In addition, the Group also provides loan commitments and financial guarantee services to customers which may require the Group to make payments on behalf of customers upon their failure to perform under the terms of the related contract. Risks arising from loan commitments and financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management policies and procedures.

Measurement of ECL

The Group applies the ECL model to calculate loss allowances for its debt financial instruments measured at amortized cost and FVOCI, as well as loan commitments and financial guarantee contracts.

Methods applied by the Group in assessing the expected credit losses of its financial assets include risk parameters model and the discounted cash flow ("DCF") model. Retail credit assets and Stage I and Stage II wholesale credit assets are assessed using risk parameters, while Stage III wholesale credit assets are subject to the discounted cash flow method.

The Group assesses ECL in light of forward-looking information and uses models and assumptions in calculating the expected credit losses. These models and assumptions relate to the future macroeconomic conditions and the borrowers' creditworthiness (e. g., the likelihood of default by customers and the corresponding losses). In assessing the expected credit risks in accordance with accounting standards, the Group uses the judgements, assumptions and estimates where appropriate, including:

— Portfolio segmentation of credit risk exposures

— Parameters for measuring ECL

— Criteria for significant increase in credit risk and default definition

— Definition of credit-impaired financial assets

— Forward-looking information

— Estimation of future cash flows for Stage III wholesale credit assets

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.1 Credit risk (Continued)

Measurement of ECL (Continued)

Portfolio segmentation of credit risk exposures

For measurement of ECL, portfolio segmentation is based on similar credit risk characteristics. In performing the portfolio segmentation of credit assets, the Group considers product types, customer types, industry, customer size, risk mitigation method and market distribution. The Group retests and revises the rationality of portfolio segmentation of credit risk exposures every year.

Parameters for measuring ECL

According to whether there is a significant increase in credit risk and whether a financial asset has become credit-impaired, the Group recognizes an impairment allowance based on the expected credit loss for the next 12 months or the entire lifetime of the financial asset. The relevant parameters of ECL measurement include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group establishes its PD models, LGD models and EAD models based on the internal rating based system as currently used for its risk management purpose, in accordance with the requirements of IFRS 9, in light of quantitative analysis of historical statistics (such as counterparty ratings, guarantee methods and collateral types, repayment methods, etc.) and forward-looking information.

The parameters are defined as follows:

— PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months ("12 months PD"), or over the remaining lifetime ("Lifetime PD") of the obligation;

— EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months ("12 months EAD") or over the remaining lifetime ("Lifetime EAD");

— LGD represents the Group's expectation of the extent of loss on defaulted exposure. It varies depending on the type of counterparty, method of recourse and priority, and the availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

Criteria for significant increase in credit risk ("SICR") and default definition

The Group assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each reporting date. For the purpose of staging assessment of its financial assets, the Group thoroughly considers various reasonable and supportable information that may reflect whether there has been a significant change in their credit risk, including forward-looking information. Key factors considered include regulatory and operating environments, internal and external credit ratings, solvency, viability as a going concern, terms of loan contracts, repayment behaviors, among others. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the reporting date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments. The definition of default refers to the failure to pay the debt as agreed in the contract, or other violations of the debt contract and have a significant impact on the normal debt repayment.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.1 Credit risk (Continued)

Measurement of ECL (Continued)

Criteria for significant increase in credit risk ("SICR") and default definition (Continued)

The Group sets quantitative and qualitative criteria to determine whether the credit risk of a financial instrument has increased significantly since its initial recognition. The criteria includes changes in its credit risk classification, changes in the borrower's PD, overdue status and other factors. In particular, when the credit risk classification changes from Normal upon initial recognition to Special Mention, there has been SICR. When the wholesale clients' PD rises to a certain level, there has been a SICR. Criteria to determine SICR varied based on the original PD upon initial recognition. If the borrower's original PD is relatively low (for example, lower than 3%), there has been SICR when the credit grade falls at least 5 notches. When retail clients' PD exceeds a certain level, there has been SICR. According to IFRS 9, a backstop is applied and the financial instrument is considered to have experienced SICR if the borrower is more than 30 days past due on its contractual payments.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. The Group recognizes a financial instrument as having low credit risk if its internal rating is consistent with the globally accepted definition for low credit risk (e. g. external "investment grade" rating).

Definition of credit-impaired financial assets

The criteria adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives for relevant financial instruments, in addition to consideration of quantitative and qualitative indicators. In assessing whether a borrower has become credit-impaired, the Group mainly considers the following factors:

— Significant financial difficulty of the issuer or the borrower;

— A breach of contract, such as a default or past due event in relation to interest or principal payment;

— The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

— It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

— The disappearance of an active market for that financial asset because of financial difficulties;

— The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

— The borrower is overdue for more than 90 days in any principal, advances, interest or investment in bonds due to the Group.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single discrete event.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.1 Credit risk (Continued)

Measurement of ECL (Continued)

Forward-looking information

The assessment of whether there has been a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the forward-looking information that affect the credit risk and ECL of various portfolio. Forward-looking information include Gross Domestic Product (GDP), Consumer Price Index (CPI) and Producer Price Index (PPI), etc.

The impact of these forward-looking information on the PDs and the LGDs varies from one portfolio to another. The Group comprehensively considers internal and external data, expert forecasts and statistical analysis to determine the correlation between these forward-looking information and the PDs and LGDs. The Group assesses and forecasts these forward-looking information at least every six months, calculates the best estimates for the future, and regularly reviews and assesses results.

As at 31 December 2024, the Group has assessed and forecasted the relevant forward-looking information for 2025, of which the forecast value of 2025 GDP growth rate under each scenario is as follows: 5.00% under base scenario,5.52% under upside scenario, and 4.48% under downside scenario.

Based on statistical analysis and expert judgements, the Group determines the weightings of multiple scenarios and the corresponding forward-looking information forecast under each scenario. The weighting of base scenario is greater than the aggregated weightings of the other two scenarios. At 31 December 2024, the weightings of the Group's base, upside and downside scenarios have not changed from 31 December 2023. The Group uses the weighted 12 months ECL (Stage I) or weighted lifetime ECL (Stage II and Stage III) to measure relevant impairment allowances. These weighted credit losses are calculated by multiplying the expected credit loss under each scenario by the assigned scenario weighting.

A sensitivity analysis is performed on scenario and indicators used in forward-looking measurement. When the assigned weightings of upside scenario and downside scenario change by 10% or major indicators change by 10% under base scenario, the impact on the allowance of expected credit loss is less than 5%.

Estimation of future cash flows for Stage III wholesale credit assets

The Group measures the ECL for Stage III wholesale credit assets using DCF method. Under DCF method, the loss allowance is calculated based on the estimation of future cash flows. At each measurement date, the Group projects the future cash inflows of relevant assets under different scenarios to estimate the probability weighted cash flow of each future period. The cash flows are discounted and aggregated to get the present value of the assets' future cash flows.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.1 Credit risk (Continued)

Maximum exposure to credit risk without taking account of any collateral held or other credit enhancements

The maximum exposure to credit risk represents the worst credit risk exposure at the end of each reporting period, without taking account of any collateral held or other credit enhancements. The credit risk exposure to the Group at the end of each reporting period primarily arises from credit and treasury operations. In addition, off-balance sheet items such as loan commitments, credit card commitments, bank acceptances, letters of guarantee and guarantees and letters of credit also include credit risks.

A summary of the maximum exposure to credit risk as at the end of the reporting period is as follows:

	Notes	As at 31 December	
		2024	2023
Balances with central banks		**2,067,244**	2,850,907
Deposits with banks and other financial institutions		**571,956**	1,080,076
Placements with and loans to banks and other financial institutions		**529,767**	516,181
Derivative financial assets		**65,920**	24,873
Financial assets held under resale agreements		**1,371,571**	1,809,559
Loans and advances to customers	(i)	**23,977,013**	21,731,766
Financial investments			
Financial assets at fair value through profit or loss		**364,130**	392,939
Debt instrument investments at amortized cost	(ii)	**9,905,633**	8,463,255
Other debt instrument investments at fair value through other comprehensive income	(iii)	**3,418,609**	2,195,685
Other financial assets		**260,021**	143,663
Subtotal		**42,531,864**	39,208,904
Loan commitments and financial guarantee contracts	(iv)	**2,852,166**	2,828,280
Total		**45,384,030**	42,037,184

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.1 Credit risk (Continued)

Maximum exposure to credit risk without taking account of any collateral held or other credit enhancements (Continued)

(i) Maximum exposure to credit risk for loans and advances disclosed in credit risk levels

The Group classified the credit risk levels of financial assets measured by ECL into "Low" (credit risk in good condition), "Medium" (increased credit risk), and "High" (credit risk in severe condition), based on the quality of assets. The credit risk level is used for the purpose of the Group's internal credit risk management. "Low" refers to assets with good credit quality. There is no sufficient reason to doubt that the assets are not expected to fulfill its contractual obligation to repay or if there is any other behaviors breaching the debt contracts that would significantly impact the repayment of debt according to contract terms. "Medium" refers to assets facing obvious negative factors impacting its repayment capacity, but not yet have non-repayment behaviors. "High" refers to non-repayment according to the debt contract terms, or other behaviors breaching the debt contracts or having significant impact on the repayment of debt according to contract terms.

Corporate loans and advances	As at 31 December 2024		
	Stage I 12 months ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	**15,541,041**	**54,112**	**15,595,153**
Medium	**–**	**227,196**	**227,196**
High	**–**	**230,918**	**230,918**
Gross carrying amount	**15,541,041**	**512,226**	**16,053,267**
Allowance for impairment losses	**(442,653)**	**(216,093)**	**(658,746)**
Net amount	**15,098,388**	**296,133**	**15,394,521**

Personal Loans	As at 31 December 2024		
	Stage I 12 months ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	**8,611,913**	**29,269**	**8,641,182**
Medium	**–**	**120,491**	**120,491**
High	**–**	**91,247**	**91,247**
Gross carrying amount	**8,611,913**	**241,007**	**8,852,920**
Allowance for impairment losses	**(183,244)**	**(87,184)**	**(270,428)**
Net amount	**8,428,669**	**153,823**	**8,582,492**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.1 Credit risk (Continued)

Maximum exposure to credit risk without taking account of any collateral held or other credit enhancements (Continued)

(i) Maximum exposure to credit risk for loans and advances disclosed in credit risk levels (Continued)

Corporate loans and advances	As at 31 December 2023		
	Stage I 12 months ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	13,977,605	51,293	14,028,898
Medium	–	245,659	245,659
High	–	241,556	241,556
Gross carrying amount	13,977,605	538,508	14,516,113
Allowance for impairment losses	(432,910)	(215,054)	(647,964)
Net amount	13,544,695	323,454	13,868,149

Personal Loans	As at 31 December 2023		
	Stage I 12 months ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	7,930,111	34,735	7,964,846
Medium	–	74,458	74,458
High	–	59,204	59,204
Gross carrying amount	7,930,111	168,397	8,098,508
Allowance for impairment losses	(171,622)	(63,269)	(234,891)
Net amount	7,758,489	105,128	7,863,617

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.1 Credit risk (Continued)

Maximum exposure to credit risk without taking account of any collateral held or other credit enhancements (Continued)

(ii) Maximum exposure to credit risk for debt instrument investments at amortized cost disclosed in credit risk levels

	As at 31 December 2024		
	Stage I 12 months ECL	**Stage II & Stage III Lifetime ECL**	**Total**
Credit risk grade			
Low	**9,927,191**	**–**	**9,927,191**
Medium	**–**	**599**	**599**
High	**–**	**1,412**	**1,412**
Gross carrying amount	**9,927,191**	**2,011**	**9,929,202**
Allowance for impairment losses	**(22,546)**	**(1,023)**	**(23,569)**
Net amount	**9,904,645**	**988**	**9,905,633**

	As at 31 December 2023		
	Stage I 12 months ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	8,476,120	–	8,476,120
Medium	–	368	368
High	–	1,309	1,309
Gross carrying amount	8,476,120	1,677	8,477,797
Allowance for impairment losses	(13,253)	(1,289)	(14,542)
Net amount	8,462,867	388	8,463,255

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.1 Credit risk (Continued)

Maximum exposure to credit risk without taking account of any collateral held or other credit enhancements (Continued)

(iii) Maximum exposure to credit risk for other debt instrument investments at fair value through other comprehensive income disclosed in credit risk levels

	As at 31 December 2024		
	Stage I 12 months ECL	**Stage II & Stage III Lifetime ECL**	**Total**
Credit risk grade			
Low	**3,418,021**	**285**	**3,418,306**
Medium	**–**	**303**	**303**
High	**–**	**–**	**–**
Carrying amount	**3,418,021**	**588**	**3,418,609**

	As at 31 December 2023		
	Stage I 12 months ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	2,194,783	554	2,195,337
Medium	–	331	331
High	–	17	17
Carrying amount	2,194,783	902	2,195,685

(iv) Maximum exposure to credit risk for loan commitments and financial guarantee contracts is balance after estimated contingent liabilities. Majority of loan commitments and financial guarantee contracts is in Stage I with credit risk grade as "Low".

(v) As at 31 December 2024 and 31 December 2023, in its deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, and financial assets held under resale agreements, the Group had insignificant balances with "Medium" and "High" credit risk grade and classified as Stage II and Stage III assets.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.1 Credit risk (Continued)

Maximum exposure to credit risk without taking account of any collateral held or other credit enhancements (Continued)

(vi) The Group has implemented specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level. The most typical practice is obtaining guarantee deposits, collateral and guarantees. The amount and type of acceptable collateral are determined through the assessment of credit risk of borrowers or counterparties. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters.

The main types of collateral obtained are as follows:

— Mortgage loans to retail customers are generally collateralized by mortgages over residential properties;

— Other personal lending and corporate loans and advances are primarily collateralized by charges over land and properties or other assets of the borrowers; and

— Financial assets held under resale agreements transactions are primarily collateralized by debt securities and bills, etc.

The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.1 Credit risk (Continued)

Loans and advances to customers

The below information does not include accrued interests of loans and advances to customers.

(1) The composition of loans and advances to customers by geographical area is analyzed as follows:

	As at 31 December			
	2024		2023	
	Amount	**% of total**	Amount	% of total
Corporate loans and advances				
Head Office	**570,025**	**3.6**	559,690	3.9
Yangtze River Delta	**4,258,989**	**26.5**	3,733,534	25.7
Pearl River Delta	**2,208,655**	**13.8**	2,038,897	14.1
Bohai Rim	**2,142,403**	**13.4**	1,983,918	13.7
Central China	**2,479,386**	**15.5**	2,161,883	14.9
Western China	**3,481,138**	**21.7**	3,155,050	21.8
Northeastern China	**511,328**	**3.2**	468,891	3.2
Overseas and Others	**373,883**	**2.3**	385,877	2.7
Subtotal	**16,025,807**	**100.0**	14,487,740	100.0
Personal loans				
Head Office	**350,336**	**4.0**	45	0.0
Yangtze River Delta	**1,770,702**	**20.1**	1,804,749	22.4
Pearl River Delta	**1,686,622**	**19.1**	1,643,329	20.3
Bohai Rim	**1,212,201**	**13.7**	1,158,539	14.3
Central China	**1,593,044**	**18.0**	1,458,634	18.1
Western China	**1,942,783**	**22.0**	1,758,985	21.8
Northeastern China	**258,524**	**2.9**	235,634	2.9
Overseas and Others	**16,232**	**0.2**	16,614	0.2
Subtotal	**8,830,444**	**100.0**	8,076,529	100.0
Gross loans and advances to customers	**24,856,251**		22,564,269	

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(2) The composition of loans and advances to customers by industry is analyzed as follows:

	As at 31 December			
	2024		2023	
	Amount	**% of total**	Amount	% of total
Corporate loans and advances				
Transportation, logistics and postal services	**3,043,610**	**18.9**	2,736,603	18.9
Manufacturing	**2,694,054**	**16.8**	2,499,350	17.3
Leasing and commercial services	**2,380,813**	**14.9**	2,148,952	14.8
Production and supply of power, heat, gas and water	**1,677,005**	**10.5**	1,487,779	10.3
Retail and wholesale	**1,315,312**	**8.2**	1,131,128	7.8
Water, environment and public utilities management	**1,269,111**	**7.9**	1,145,331	7.9
Finance	**1,109,225**	**6.9**	968,329	6.7
Real estate	**913,134**	**5.7**	918,851	6.3
Construction	**569,371**	**3.6**	496,062	3.4
Mining	**308,667**	**1.9**	283,272	2.0
Others	**745,505**	**4.7**	672,083	4.6
Subtotal	**16,025,807**	**100.0**	14,487,740	100.0
Personal loans				
Residential mortgage	**4,984,594**	**56.4**	5,170,827	64.0
Personal business	**2,495,466**	**28.3**	1,849,476	22.9
Personal consumption	**491,414**	**5.6**	356,018	4.4
Credit cards	**858,811**	**9.7**	700,031	8.7
Others	**159**	**0.0**	177	0.0
Subtotal	**8,830,444**	**100.0**	8,076,529	100.0
Gross loans and advances to customers	**24,856,251**		22,564,269	

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(3) The composition of loans and advances to customers by contractual maturity and security type is analyzed as follows:

	31 December 2024			
	Less than 1 year	1–5 years	Over 5 years	Total
Unsecured loans	4,009,848	3,799,571	2,687,228	10,496,647
Guaranteed loans	769,295	793,657	1,440,682	3,003,634
Loans secured by mortgages	1,208,521	1,498,825	6,195,934	8,903,280
Pledged loans	315,051	296,843	1,840,796	2,452,690
Total	**6,302,715**	**6,388,896**	**12,164,640**	**24,856,251**

	31 December 2023			
	Less than 1 year	1–5 years	Over 5 years	Total
Unsecured loans	4,082,548	1,908,519	2,597,474	8,588,541
Guaranteed loans	810,939	613,035	1,492,090	2,916,064
Loans secured by mortgages	1,618,549	735,402	6,265,124	8,619,075
Pledged loans	365,530	137,767	1,937,292	2,440,589
Total	6,877,566	3,394,723	12,291,980	22,564,269

(4) Overdue loans (i)

	31 December 2024					
	Overdue 1–30 days	Overdue 31–90 days	Overdue 91 to 360 days	Overdue 361 days to 3 years	Overdue over 3 years	Total
Unsecured loans	13,503	14,159	34,888	10,253	3,639	76,442
Guaranteed loans	4,990	2,239	9,515	9,147	3,984	29,875
Loans secured by mortgages	29,180	33,911	63,894	42,927	8,871	178,783
Pledged loans	2,040	118	1,529	3,995	315	7,997
Total	**49,713**	**50,427**	**109,826**	**66,322**	**16,809**	**293,097**

	31 December 2023					
	Overdue 1–30 days	Overdue 31–90 days	Overdue 91 to 360 days	Overdue 361 days to 3 years	Overdue over 3 years	Total
Unsecured loans	11,473	8,353	21,779	9,247	4,155	55,007
Guaranteed loans	4,029	1,201	8,065	11,702	1,295	26,292
Loans secured by mortgages	46,465	36,278	39,491	27,138	5,799	155,171
Pledged loans	2,145	1,083	1,440	2,965	427	8,060
Total	64,112	46,915	70,775	51,052	11,676	244,530

(i) When either loan principal or interest is past due by one day (inclusive) in any period, the whole loan is classified as overdue loan.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(5) Credit quality of loans and advances to customers

Within the credit-impaired loans and advances, the portions covered and not covered by collaterals held are as follows:

	As at 31 December	
	2024	2023
Portion covered	**202,304**	188,740
Portion not covered	**119,861**	112,020
Total	**322,165**	300,760

(6) Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The gross carrying amount of the financial asset is recalculated and the related gain or loss is recognized in profit and loss. The 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 monitors the subsequent performance of modified assets. If the Group determines that the credit risk has significantly improved after modified, the relevant loans and advances will be transferred from Stage III to Stage I or Stage II to Stage I, the impairment allowance of these assets will be measured on the basis of 12 months ECL instead of the lifetime ECL. Assets can be recalled only after they have been observed for at least six consecutive months and reach specific criteria.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(7) Rescheduled Loans

According to the Rules on Risk Classification of Financial Assets of Commercial Banks issued by the NFRA and the People's Bank of China, which came into force on 1 July 2023, rescheduled loans refer to the loans provided by the Group in response to the financial difficulties of the borrower, aiming at facilitating the borrower in repaying debts, involving favourable adjustments to the loan contracts for the benefit the borrowers, or providing refinancing for the borrower's existing loans, including rollover or additional debt financing. Rescheduled loans and advances of the Group as at 31 December 2024 amounted to RMB105,510 million (31 December 2023: RMB44,525 million).

(8) Debt-for-equity swaps of bankruptcy reorganization

During the year ended 31 December 2024, as a result of debt-for-equity swaps of bankruptcy reorganization, the Group recognized ordinary shares with a fair value of RMB445 million (year ended 31 December 2023: RMB3,299 million). The loss associated with the debt-for-equity swaps of bankruptcy reorganization was not significant.

Debt instruments

Credit quality of debt instruments

(1) Analysis of the expected credit loss stages of debt instrument investments at amortized cost and other debt instrument investments at fair value through other comprehensive income were disclosed in Notes IV18.2 and 18.3, respectively.

(2) Debt instruments analyzed by credit rating

The Group adopts a credit rating approach to manage the credit risk of the debt instruments portfolio held. The Group classified the credit risk levels of financial assets measured by ECL into "Low" (credit risk in good condition), "Medium" (increased credit risk), and "High" (credit risk in severe condition), based on the quality of assets. The credit risk level is used for the purpose of the Group's internal credit risk management. "Low" refers to assets with good credit quality. There is no sufficient reason to doubt that the assets are not expected to fulfill its contractual obligation to repay or if there are any other behaviors breaching the debt contracts that would significantly impact the repayment of debt according to contract terms. "Medium" refers to assets facing obvious negative factors impacting its repayment capacity, but not yet have non-repayment behaviors. "High" refers to non-repayment according to the debt contract terms, or other behaviors breaching the debt contracts and having significant impact on the repayment of debt according to contract terms.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(2) Debt instruments analyzed by credit rating (Continued)

The carrying amounts of debt instruments investments at amortized cost and other debt instrument investments at fair value through other comprehensive income analyzed by their credit rating as at the end of the reporting period are as follows (i):

		31 December 2024			
Credit grade	**Note**	**Low**	**Medium**	**High**	**Total**
Debt securities issued by					
— Governments		**9,278,676**	**–**	**–**	**9,278,676**
— Public sector and quasi-governments		**1,855,002**	**–**	**–**	**1,855,002**
— Financial institutions		**1,528,425**	**–**	**–**	**1,528,425**
— Corporates	(ii)	**190,453**	**303**	**–**	**190,756**
Special government bond		**94,097**	**–**	**–**	**94,097**
Receivable from the MOF		**348,136**	**–**	**–**	**348,136**
Others		**28,162**	**583**	**405**	**29,150**
Total		**13,322,951**	**886**	**405**	**13,324,242**

		31 December 2023			
Credit grade	Note	Low	Medium	High	Total
Debt securities issued by					
— Governments		6,904,528	–	–	6,904,528
— Public sector and quasi-governments		2,240,058	–	–	2,240,058
— Financial institutions		869,390	–	–	869,390
— Corporates	(ii)	184,608	331	17	184,956
Special government bond		94,106	–	–	94,106
Receivable from the MOF		340,595	–	–	340,595
Others		24,919	368	20	25,307
Total		10,658,204	699	37	10,658,940

(i) The ratings above were internal ratings obtained from the Group and the Bank, financial assets at fair value through profit or loss were not included in the credit grade table as at 31 December 2024 and 31 December 2023.

(ii) As at 31 December 2024, the ratings of super short-term commercial papers of the Group amounted to RMB5,577 million (31 December 2023: RMB2,409 million) included in corporate bonds above were based on issuer rating for this credit risk analysis.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset.

The Group's Assets and Liabilities Management Department manages its liquidity risk through:

— Optimizing asset and liability structure;

— Maintaining stability of deposit base;

— Making projections of future cash flows, and evaluating the appropriate liquid asset position;

— Maintaining an efficient internal funds transfer mechanism within the Group; and

— Performing stress testing on a regular basis.

Analysis of the remaining contractual maturity of financial assets and financial liabilities

The tables below summarize the maturity analysis of financial assets and financial liabilities by remaining contractual maturities based on the carrying amount at the end of each reporting period:

	31 December 2024								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Cash and balances with central banks	–	114,093	494	1,096	14,910	–	–	2,003,859	2,134,452
Deposits with banks and other financial institutions	–	151,891	47,228	117,934	238,139	16,764	–	–	571,956
Placements with and loans to banks and other financial institutions	–	–	220,778	58,203	179,070	70,084	1,632	–	529,767
Derivative financial assets	–	–	10,783	14,630	36,473	3,599	435	–	65,920
Financial assets held under resale agreements	3,872	–	1,348,884	11,744	7,071	–	–	–	1,371,571
Loans and advances to customers	54,585	–	1,032,708	1,505,023	4,796,794	5,413,569	11,174,334	–	23,977,013
Financial assets at fair value through profit or loss	–	1,648	3,442	26,079	93,780	41,497	218,445	128,415	513,306
Debt instrument investments at amortized cost	696	–	63,399	175,703	967,182	2,746,512	5,952,141	–	9,905,633
Other debt instrument and other equity investments at fair value through other comprehensive income	–	–	203,038	288,408	874,749	1,347,570	704,844	11,555	3,430,164
Other financial assets	4,479	241,115	2,672	243	3,612	123	7,777	–	260,021
Total financial assets	63,632	508,747	2,933,426	2,199,063	7,211,780	9,639,718	18,059,608	2,143,829	42,759,803

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.2 Liquidity risk (Continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities (Continued)

The tables below summarize the maturity analysis of financial assets and financial liabilities by remaining contractual maturities based on the carrying amount at the end of each reporting period: (Continued)

	31 December 2024								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Borrowings from central banks	–	(30)	(119,708)	(170,668)	(556,918)	–	–	–	(847,324)
Deposits from banks and other financial institutions	–	(2,481,038)	(219,913)	(740,743)	(661,272)	(539,686)	(24,909)	–	(4,667,561)
Placements from banks and other financial institutions	–	–	(129,452)	(147,003)	(75,755)	(9,515)	(2,297)	–	(364,022)
Financial liabilities at fair value through profit or loss	–	(15,254)	–	–	(362)	(225)	–	–	(15,841)
Derivative financial liabilities	–	–	(13,011)	(13,246)	(29,096)	(2,763)	(30)	–	(58,146)
Financial assets sold under repurchase agreements	–	–	(193,314)	(191,758)	(230,653)	–	–	–	(615,725)
Due to customers	–	(12,930,887)	(1,209,168)	(2,594,225)	(5,738,699)	(7,830,453)	(1,925)	–	(30,305,357)
Debt securities issued	–	–	(108,465)	(587,991)	(1,300,988)	(141,042)	(540,023)	–	(2,678,509)
Other financial liabilities	–	(184,076)	(2,566)	(780)	(3,491)	(10,449)	(20,640)	–	(222,002)
Total financial liabilities	–	(15,611,285)	(1,995,597)	(4,446,414)	(8,597,234)	(8,534,133)	(589,824)	–	(39,774,487)
Net position	63,632	(15,102,538)	937,829	(2,247,351)	(1,385,454)	1,105,585	17,469,784	2,143,829	2,985,316

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.2 Liquidity risk (Continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities (Continued)

The tables below summarize the maturity analysis of financial assets and financial liabilities by remaining contractual maturities based on the carrying amount at the end of each reporting period: (Continued)

	31 December 2023								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Cash and balances with central banks	–	409,263	–	1,196	10,524	–	–	2,501,064	2,922,047
Deposits with banks and other financial institutions	–	146,973	145,871	97,137	672,860	17,235	–	–	1,080,076
Placements with and loans to banks and other financial institutions	–	–	155,745	78,951	222,321	59,164	–	–	516,181
Derivative financial assets	–	–	5,635	7,568	8,773	2,542	355	–	24,873
Financial assets held under resale agreements	3,872	–	1,793,874	10,333	1,480	–	–	–	1,809,559
Loans and advances to customers	26,167	–	860,084	1,426,659	4,863,202	4,883,398	9,672,256	–	21,731,766
Financial assets at fair value through profit or loss	–	3,083	2,767	36,500	105,554	41,950	226,153	131,400	547,407
Debt instrument investments at amortized cost	387	–	81,055	179,635	572,798	2,502,672	5,126,708	–	8,463,255
Other debt instrument and other equity investments at fair value through other comprehensive income	17	–	84,594	291,167	596,560	641,529	581,818	7,366	2,203,051
Other financial assets	4,157	125,775	1,827	302	3,025	883	7,694	–	143,663
Total financial assets	34,600	685,094	3,131,452	2,129,448	7,057,097	8,149,373	15,614,984	2,639,830	39,441,878

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.2 Liquidity risk (Continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities (Continued)

The tables below summarize the maturity analysis of financial assets and financial liabilities by remaining contractual maturities based on the carrying amount at the end of each reporting period: (Continued)

	31 December 2023								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Borrowings from central banks	–	(30)	(123,464)	(180,958)	(822,617)	–	–	–	(1,127,069)
Deposits from banks and other financial institutions	–	(2,346,706)	(213,026)	(347,853)	(509,181)	(229,323)	(7,408)	–	(3,653,497)
Placements from banks and other financial institutions	–	–	(138,121)	(134,140)	(104,937)	(2,724)	(2,368)	–	(382,290)
Financial liabilities at fair value through profit or loss	–	(11,987)	(80)	–	(321)	(209)	–	–	(12,597)
Derivative financial liabilities	–	–	(7,353)	(8,024)	(10,492)	(1,948)	–	–	(27,817)
Financial assets sold under repurchase agreements	–	–	(18,776)	(40,684)	(41,061)	–	–	–	(100,521)
Due to customers	–	(14,159,827)	(875,952)	(1,846,343)	(4,566,756)	(7,441,935)	(7,655)	–	(28,898,468)
Debt securities issued	–	–	(166,810)	(496,344)	(1,018,088)	(129,703)	(484,976)	–	(2,295,921)
Other financial liabilities	–	(125,567)	(1,799)	(768)	(4,204)	(11,433)	(16,223)	–	(159,994)
Total financial liabilities	–	(16,644,117)	(1,545,381)	(3,055,114)	(7,077,657)	(7,817,275)	(518,630)	–	(36,658,174)
Net position	34,600	(15,959,023)	1,586,071	(925,666)	(20,560)	332,098	15,096,354	2,639,830	2,783,704

Analysis of the undiscounted contractual cash flows

Assets available to meet obligations related to the Group's liabilities and outstanding credit commitments primarily include cash and balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets at fair value through profit or loss, and financial assets held under resale agreements. In the normal course of business, the majority of customer deposits repayable on demand or on maturity are expected to be retained. In addition, the Group is able to sell the other debt instrument and other equity investments at fair value through other comprehensive income to repay matured liabilities, if necessary.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

The tables below present the undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period:

	31 December 2024								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and balances with central banks	–	114,093	494	1,096	14,910	–	–	2,003,859	2,134,452
Deposits with banks and other financial institutions	–	152,281	47,400	118,586	240,602	17,842	–	–	576,711
Placements with and loans to banks and other financial institutions	–	–	221,734	58,857	182,456	77,057	1,732	–	541,836
Financial assets held under resale agreements	3,915	–	1,351,184	11,788	7,115	–	–	–	1,374,002
Loans and advances to customers	121,563	–	1,129,863	1,656,571	5,327,497	7,278,533	14,871,422	–	30,385,449
Financial assets at fair value through profit or loss	–	1,648	3,498	26,275	98,838	65,478	231,236	128,415	555,388
Debt instrument investments at amortized cost	1,379	–	65,622	190,054	1,135,894	3,630,725	7,036,406	–	12,060,080
Other debt instrument and other equity investments at fair value through other comprehensive income	–	–	207,349	303,249	957,652	1,544,911	818,087	11,555	3,842,803
Other financial assets	5,064	243,823	2,682	245	3,647	123	7,863	–	263,447
Total non-derivative financial assets	131,921	511,845	3,029,826	2,366,721	7,968,611	12,614,669	22,966,746	2,143,829	51,734,168

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

The tables below present the undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period: (Continued)

	31 December 2024								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Non-derivative financial liabilities									
Borrowings from central banks	–	(30)	(119,829)	(171,345)	(564,558)	–	–	–	(855,762)
Deposits from banks and other financial institutions	–	(2,481,038)	(223,379)	(748,964)	(678,517)	(601,510)	(25,533)	–	(4,758,941)
Placements from banks and other financial institutions	–	–	(130,235)	(147,837)	(76,368)	(10,750)	(2,587)	–	(367,777)
Financial liabilities at fair value through profit or loss	–	(15,254)	–	–	(362)	(225)	–	–	(15,841)
Financial assets sold under repurchase agreements	–	–	(193,334)	(192,311)	(232,440)	–	–	–	(618,085)
Due to customers	–	(12,930,887)	(1,210,281)	(2,602,388)	(5,808,331)	(8,220,640)	(2,088)	–	(30,774,615)
Debt securities issued	–	–	(108,605)	(591,599)	(1,327,178)	(217,450)	(636,167)	–	(2,880,999)
Other financial liabilities	–	(184,076)	(2,567)	(783)	(3,544)	(10,909)	(20,887)	–	(222,766)
Total non-derivative financial liabilities	–	(15,611,285)	(1,988,230)	(4,455,227)	(8,691,298)	(9,061,484)	(687,262)	–	(40,494,786)
Net position	131,921	(15,099,440)	1,041,596	(2,088,506)	(722,687)	3,553,185	22,279,484	2,143,829	11,239,382

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

The tables below present the undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period: (Continued)

	31 December 2023								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and balances with central banks	–	409,263	–	1,196	10,524	–	–	2,501,064	2,922,047
Deposits with banks and other financial institutions	–	147,065	146,068	97,971	684,001	18,570	–	–	1,093,675
Placements with and loans to banks and other financial institutions	–	–	157,148	80,361	226,642	66,027	–	–	530,178
Financial assets held under resale agreements	3,915	–	1,797,692	10,367	1,491	–	–	–	1,813,465
Loans and advances to customers	75,740	–	951,092	1,599,552	5,619,928	7,135,383	14,229,993	–	29,611,688
Financial assets at fair value through profit or loss	–	3,083	2,814	37,014	111,317	71,775	249,678	131,400	607,081
Debt instrument investments at amortized cost	1,302	–	82,127	190,919	721,280	3,324,226	6,097,362	–	10,417,216
Other debt instrument and other equity investments at fair value through other comprehensive income	21	–	84,849	295,971	632,303	747,610	681,570	7,366	2,449,690
Other financial assets	5,111	128,432	1,828	302	3,026	883	7,695	–	147,277
Total non-derivative financial assets	86,089	687,843	3,223,618	2,313,653	8,010,512	11,364,474	21,266,298	2,639,830	49,592,317

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

The tables below present the undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period: (Continued)

	31 December 2023								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Non-derivative financial liabilities									
Borrowings from central banks	–	(30)	(123,611)	(181,679)	(837,139)	–	–	–	(1,142,459)
Deposits from banks and other financial institutions	–	(2,346,706)	(215,353)	(350,315)	(519,072)	(243,566)	(7,735)	–	(3,682,747)
Placements from banks and other financial institutions	–	–	(139,279)	(135,438)	(106,075)	(3,732)	(2,816)	–	(387,340)
Financial liabilities at fair value through profit or loss	–	(11,987)	(80)	–	(321)	(209)	–	–	(12,597)
Financial assets sold under repurchase agreements	–	–	(18,798)	(41,123)	(41,957)	–	–	–	(101,878)
Due to customers	–	(14,159,827)	(876,853)	(1,853,472)	(4,626,084)	(7,843,250)	(8,637)	–	(29,368,123)
Debt securities issued	–	–	(167,159)	(500,902)	(1,042,618)	(205,960)	(572,154)	–	(2,488,793)
Other financial liabilities	–	(125,567)	(1,824)	(802)	(4,370)	(11,836)	(16,283)	–	(160,682)
Total non-derivative financial liabilities	–	(16,644,117)	(1,542,957)	(3,063,731)	(7,177,636)	(8,308,553)	(607,625)	–	(37,344,619)
Net position	86,089	(15,956,274)	1,680,661	(750,078)	832,876	3,055,921	20,658,673	2,639,830	12,247,698

Derivative cash flows

Derivatives settled on a net basis

The tables below present the undiscounted contractual cash flows of the Group's net derivative positions based on their remaining contractual maturities:

	31 December 2024					
	Less than 1 month	**1–3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Total**
Derivatives settled on a net basis	**1,668**	**1,527**	**(7,244)**	**(43)**	**–**	**(4,092)**

	31 December 2023					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Derivatives settled on a net basis	(26)	(549)	(1,443)	(42)	–	(2,060)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.2 Liquidity risk (Continued)

Derivative cash flows (Continued)

Derivatives settled on a gross basis

The tables below present the undiscounted contractual cash flows of the Group's gross derivative positions based on their remaining contractual maturities:

	31 December 2024					
	Less than 1 month	**1–3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Total**
Derivatives settled on a gross basis						
— Cash inflow	**795,257**	**551,217**	**1,401,479**	**95,497**	**5,584**	**2,849,034**
— Cash outflow	**(799,152)**	**(551,362)**	**(1,386,804)**	**(94,586)**	**(5,115)**	**(2,837,019)**
Total	**(3,895)**	**(145)**	**14,675**	**911**	**469**	**12,015**

	31 December 2023					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Derivatives settled on a gross basis						
— Cash inflow	468,867	343,763	753,701	52,155	828	1,619,314
— Cash outflow	(472,545)	(344,648)	(753,886)	(49,782)	(464)	(1,621,325)
Total	(3,678)	(885)	(185)	2,373	364	(2,011)

Off-balance sheet items

The off-balance sheet items primarily include loan commitments, bank acceptances, credit card commitments, letters of guarantee and guarantees and letters of credit. The tables below summarize the amounts of credit commitments by remaining maturity. Financial guarantees are also included below at notional amounts and based on the earliest contractual maturity date.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.2 Liquidity risk (Continued)

Off-balance sheet items (Continued)

	31 December 2024			
	Less than 1 year	1–5 years	Over 5 years	Total
Loan commitments	**41,341**	**91,032**	**111,380**	**243,753**
Bank acceptances	**1,127,316**	**–**	**–**	**1,127,316**
Credit card commitments	**883,311**	**–**	**–**	**883,311**
Letters of guarantee and guarantees	**206,900**	**170,985**	**22,035**	**399,920**
Letters of credit	**183,032**	**37,019**	**–**	**220,051**
Total	**2,441,900**	**299,036**	**133,415**	**2,874,351**

	31 December 2023			
	Less than 1 year	1–5 years	Over 5 years	Total
Loan commitments	100,012	108,100	157,735	365,847
Bank acceptances	1,024,150	–	–	1,024,150
Credit card commitments	873,029	–	–	873,029
Letters of guarantee and guarantees	177,954	174,552	21,409	373,915
Letters of credit	196,217	22,257	350	218,824
Total	2,371,362	304,909	179,494	2,855,765

44.3 Market risk

Market risk represents the potential loss arising from changes in market rates of interest and foreign exchange, as well as commodity and equity prices. Market risk arises from both the Group's proprietary positions and customer driven transactions, in both cases related to on-and off-balance sheet activities.

The Group is primarily exposed to interest rate risk through corporate, personal banking and treasury operations. Interest rate risk is inherent in many of the Group's businesses and this situation is common among large banks. It fundamentally arises through mismatches between the maturity and re-pricing dates of interest-earning assets and interest-bearing liabilities.

Foreign exchange rate risk is the potential loss related to changes in foreign exchange rates affecting the translation of foreign currency denominated assets and liabilities. The risk of loss results from movements in foreign currency exchange rates.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.3 Market risk (Continued)

The Group is also exposed to commodity risk, primarily related to gold and other precious metals. The risk of loss results from movements in commodity price. The Group manages the risk related to gold price together with foreign exchange rate risk.

The Group has determined that the levels of market risk related to changes in equity prices and commodity prices other than gold, with respect to the related exposures in its trading and investment portfolios, are immaterial.

Segregation of Trading Book and Banking Book

In accordance with the requirements of *the Capital Rules for Commercial Banks* (2023 No. 4 of the NFRA) issued by the NFRA, the Group manages market risk separately by segregation of trading book and banking book. The trading book is comprised of financial instruments, foreign currency and commodity positions held for trading or risk hedging. Any other positions are included in the banking book.

Market Risk Management for Trading Book

The Group manages market risk in the trading book through methodologies that include stress testing, Value at Risk (VaR), monitoring and management of established limits, sensitivity analysis, duration analysis and exposure analysis.

Based on changes in the external market and business operations, the Group formulates annual financial market business risk management strategy, and further clarifies the admission standards and specific management requirements to be followed for bond trading and derivatives trading. Meanwhile, the Group establishes market risk exposure limits for the trading book, measuring and monitoring the risk limits through the market risk management system.

The Bank has adopted an historical simulation method, with a confidence level of 99% based on holding period of 1 day and historical data for 250 days to calculate the VaR of the trading book, which includes the Head Office, domestic branches and overseas branches. Based on the differences between domestic and overseas markets, the Bank selected applicable parameters for model and risk factors in order to reflect the actual market risk levels. The Bank verified the accuracy and reliability of market risk measurement models through data analysis, parallel modeling, and back-testing of the market risk measurement models.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.3 Market risk (Continued)

Market Risk Management for Trading Book (Continued)

VaR Analysis for the Trading Book

Bank

	Note	2024			
		At the end of the year	Average	Maximum	Minimum
Interest rate risk		**60**	**53**	**136**	**30**
Exchange rate risk	(1)	**96**	**377**	**516**	**59**
Commodity risk		**12**	**22**	**37**	**11**
Overall VaR		**99**	**373**	**508**	**83**

Bank

	Note	2023			
		At the end of the year	Average	Maximum	Minimum
Interest rate risk		37	63	102	8
Exchange rate risk	(1)	252	236	327	120
Commodity risk		14	32	42	14
Overall VaR		249	246	347	142

(1) VaR related to gold is recognized as a component of foreign exchange rate risk.

The Bank calculates VaR for its trading book (excluding RMB foreign currency settlement contracts with customers under relevant regulations). The Bank conducts stress testing for its trading book quarterly. The specific areas subject to this testing include the major areas of exposure, such as bonds, interest rate derivatives, foreign exchange derivatives and precious metal. The stress testing uses a range of scenarios to assess the potential impact on profit and loss.

Market Risk Management for Banking Book

The Group manages market risk related to the banking book by consistently applying techniques across the Group that include exposure limit management, stress testing, scenario analysis and gap analysis.

Interest Rate Risk Management

Interest rate risk refers to the risk that the adverse changes in interest rate levels and maturity structures will cause the economic value of the banking book or overall income to suffer losses. The Group's book interest rate risk mainly comes from the mismatch of maturity or repricing periods of interest-sensitive assets and liabilities in the Group's book and the inconsistent changes in the benchmark interest rate on which assets and liabilities are based.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.3 Market risk (Continued)

Market Risk Management for Banking Book (Continued)

Interest Rate Risk Management (Continued)

Since the People's Bank of China's RMB Loan Prime Rate (LPR) reform, the Group has implemented relevant policies in accordance with regulatory requirements, promoted business system transformation, modified system loan contracts, improved internal and external interest rate pricing mechanisms, strengthened staff training for branches, comprehensively promoted LPR applications, and basically realized the entire system and the entire process of loan pricing application of LPR pricing. After the People's Bank of China reforms LPR, the connection between the benchmark interest rate on loans and the market interest rate will be closer, and the frequency and amplitude of volatility will increase relatively. To this end, the Group strengthened the monitoring and prejudgment of the external interest rate environment, adjusted internal and external pricing strategies in a timely manner, optimized the asset and liability product structure and maturity structure, and proactively adjusted the risk structure to reduce the economic value and overall impact of interest rate changes and the adverse impact of earnings. During the reporting period, the Group's interest rate risk level was generally stable, and all quota indicators were controlled within the scope of regulatory requirements and management objectives.

Foreign Exchange Rate Risk Management

Foreign exchange rate risk relates to the mismatch of foreign currency denominated assets and liabilities, and the potential loss related to changes in foreign exchange rates, which largely arises through operational activities.

The Group performs monitoring and sensitivity analysis of foreign exchange rate risk exposure, manages the mismatch of foreign currency denominated assets and liabilities to effectively manage foreign exchange rate risk exposure within acceptable limits.

Market Risk Exposure Limit Management

Market risk exposure limits of the Group are classified as either directive limits or indicative limits, including position limits, stop-loss limits, VaR limits, and stress testing limits.

The Group is committed to continuous improvement of its market risk exposure limit management. The Group establishes exposure limits reflecting its risk appetite and continuously refines the categorization of market risk exposure limits. Further, it regularly monitors, reports, refines, and implements improvements to the market risk exposure limit process.

Foreign exchange rate risk

The Group primarily conducts its business activities in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent, other currencies.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

The composition of all financial assets and liabilities at the end of each reporting period analyzed by currency is as follows:

	31 December 2024				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,016,139	74,140	7,127	37,046	2,134,452
Deposits with banks and other financial institutions	433,544	64,693	3,132	70,587	571,956
Placements with and loans to banks and other financial institutions	228,796	222,322	61,989	16,660	529,767
Derivative financial assets	56,054	3,971	3,039	2,856	65,920
Financial assets held under resale agreements	1,369,311	2,260	–	–	1,371,571
Loans and advances to customers	23,556,818	284,976	49,829	85,390	23,977,013
Financial assets at fair value through profit or loss	496,828	13,931	1,362	1,185	513,306
Debt instrument investments at amortized cost	9,789,420	90,346	18,260	7,607	9,905,633
Other debt instrument and other equity investments at fair value through other comprehensive income	3,100,343	276,412	1,523	51,886	3,430,164
Other financial assets	208,316	47,315	2,838	1,552	260,021
Total financial assets	41,255,569	1,080,366	149,099	274,769	42,759,803
Borrowings from central banks	(847,324)	–	–	–	(847,324)
Deposits from banks and other financial institutions	(4,606,053)	(33,322)	(27,649)	(537)	(4,667,561)
Placements from banks and other financial institutions	(96,102)	(199,089)	(48,117)	(20,714)	(364,022)
Financial liabilities at fair value through profit or loss	(15,479)	–	(362)	–	(15,841)
Derivative financial liabilities	(50,083)	(4,348)	(1,776)	(1,939)	(58,146)
Financial assets sold under repurchase agreements	(587,496)	(13,782)	–	(14,447)	(615,725)
Due to customers	(29,576,531)	(364,160)	(196,540)	(168,126)	(30,305,357)
Debt securities issued	(2,344,644)	(257,582)	(39,011)	(37,272)	(2,678,509)
Other financial liabilities	(198,961)	(18,799)	(2,153)	(2,089)	(222,002)
Total financial liabilities	(38,322,673)	(891,082)	(315,608)	(245,124)	(39,774,487)
Net on-balance sheet position	2,932,896	189,284	(166,509)	29,645	2,985,316
Net notional amount of derivatives	238,761	(226,519)	197,711	(36,954)	172,999
Loan commitments and financial guarantee contracts	2,561,743	231,757	632	80,219	2,874,351

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

The composition of all financial assets and liabilities at the end of each reporting period analyzed by currency is as follows: (Continued)

	31 December 2023				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,817,659	75,462	1,439	27,487	2,922,047
Deposits with banks and other financial institutions	952,425	34,206	3,914	89,531	1,080,076
Placements with and loans to banks and other financial institutions	273,973	176,696	51,847	13,665	516,181
Derivative financial assets	16,718	2,715	2,849	2,591	24,873
Financial assets held under resale agreements	1,809,559	–	–	–	1,809,559
Loans and advances to customers	21,190,871	367,196	68,569	105,130	21,731,766
Financial assets at fair value through profit or loss	528,956	15,633	1,453	1,365	547,407
Debt instrument investments at amortized cost	8,325,508	117,301	14,656	5,790	8,463,255
Other debt instrument and other equity investments at fair value through other comprehensive income	1,871,112	257,247	11,189	63,503	2,203,051
Other financial assets	129,292	10,424	2,370	1,577	143,663
Total financial assets	37,916,073	1,056,880	158,286	310,639	39,441,878
Borrowings from central banks	(1,126,049)	–	–	(1,020)	(1,127,069)
Deposits from banks and other financial institutions	(3,577,419)	(50,430)	(23,448)	(2,200)	(3,653,497)
Placements from banks and other financial institutions	(88,192)	(204,480)	(56,710)	(32,908)	(382,290)
Financial liabilities at fair value through profit or loss	(12,276)	–	(321)	–	(12,597)
Derivative financial liabilities	(20,395)	(2,315)	(1,507)	(3,600)	(27,817)
Financial assets sold under repurchase agreements	(7,216)	(83,654)	–	(9,651)	(100,521)
Due to customers	(28,200,270)	(483,686)	(45,842)	(168,670)	(28,898,468)
Debt securities issued	(1,995,351)	(231,691)	(34,002)	(34,877)	(2,295,921)
Other financial liabilities	(139,636)	(17,544)	(1,171)	(1,643)	(159,994)
Total financial liabilities	(35,166,804)	(1,073,800)	(163,001)	(254,569)	(36,658,174)
Net on-balance sheet position	2,749,269	(16,920)	(4,715)	56,070	2,783,704
Net notional amount of derivatives	132,838	20,198	26,915	(60,272)	119,679
Loan commitments and financial guarantee contracts	2,580,632	217,252	13,818	44,063	2,855,765

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

The table below indicates the potential effect on profit before tax and other comprehensive income arising from a 5% appreciation or depreciation of RMB spot and forward foreign exchange rates against a basket of all other currencies on the net positions of foreign currency monetary assets and liabilities and derivative instruments in the consolidated statement of financial position of the Group.

	31 December 2024		31 December 2023	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
5% appreciation	**519**	**238**	(1,368)	341
5% depreciation	**(519)**	**(238)**	1,368	(341)

The effect on profit before tax and other comprehensive income is calculated based on the assumption that the Group's foreign currency sensitive exposures and foreign currency derivative instruments net position at the end of each reporting period remain unchanged. The Group mitigates its foreign exchange rate risk through active management of its foreign currency exposures and the appropriate use of derivative instruments, based on management expectation of future foreign currency exchange rate movements. Such analysis does not take into account the correlation effect of changes in different foreign currencies, nor any further actions that could be taken by management to mitigate the effect of foreign exchange differences. Therefore, the sensitivity analysis above may differ from actual results occurring through changes in foreign exchange rates.

Interest rate risk

The Group's interest rate risk arises from the mismatches between contractual maturities or re-pricing dates of interest-generating assets and interest-bearing liabilities, as well as the inconsistent variations in the benchmark interest rate on which the assets and liabilities are based. The Group's interest-generating assets and interest-bearing liabilities are primarily denominated in RMB. The PBOC stipulated the benchmark interest rate for RMB deposits. The deposit interest rate floating ceiling was removed by the PBOC with effect from 24 December 2015 for commercial banks. Since 16 August 2019, the PBOC established LPR to replace RMB benchmark interest rates for loan as a pricing benchmark of new loan whereby financial institutions are in a position to price their loans based on commercial and market factors.

The Group manages its interest rate risk by:

— Strengthen the pre-judgment of the situation and analyze the macroeconomic factors that may affect the LPR interest rate, the benchmark deposit interest rate and the market interest rate;

— Strengthen strategy transmission and optimize the repricing term structure of interest-earning assets and interest-bearing liabilities;

— Implement limit management to control the impact of interest rate changes on the economic value and overall income of banking books within the limits.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.3 Market risk (Continued)

Interest rate risk (Continued)

The tables below summarize the contractual maturity or re-pricing date, whichever is earlier, of the Group's financial assets and liabilities at the end of each reporting period:

	31 December 2024						
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	1,911,637	–	14,910	–	–	207,905	2,134,452
Deposits with banks and other financial institutions	195,748	117,319	236,931	16,133	–	5,825	571,956
Placements with and loans to banks and other financial institutions	279,108	52,438	164,040	29,059	1,631	3,491	529,767
Derivative financial assets	–	–	–	–	–	65,920	65,920
Financial assets held under resale agreements	1,348,509	11,716	7,050	–	–	4,296	1,371,571
Loans and advances to customers	5,348,957	4,589,977	12,748,572	940,884	298,687	49,936	23,977,013
Financial assets at fair value through profit or loss	3,277	25,764	99,738	41,468	177,371	165,688	513,306
Debt instrument investments at amortized cost	57,480	143,914	932,207	2,719,950	5,895,133	156,949	9,905,633
Other debt instrument and other equity investments at fair value through other comprehensive income	219,425	326,842	865,002	1,279,338	702,429	37,128	3,430,164
Other financial assets	–	–	–	–	–	260,021	260,021
Total financial assets	9,364,141	5,267,970	15,068,450	5,026,832	7,075,251	957,159	42,759,803
Borrowings from central banks	(116,910)	(167,237)	(552,134)	–	–	(11,043)	(847,324)
Deposits from banks and other financial institutions	(2,696,125)	(735,647)	(654,109)	(528,085)	(24,900)	(28,695)	(4,667,561)
Placements from banks and other financial institutions	(128,355)	(146,007)	(74,670)	(9,493)	(2,288)	(3,209)	(364,022)
Financial liabilities at fair value through profit or loss	–	–	(362)	(225)	–	(15,254)	(15,841)
Derivative financial liabilities	–	–	–	–	–	(58,146)	(58,146)
Financial assets sold under repurchase agreements	(193,156)	(191,314)	(230,065)	–	–	(1,190)	(615,725)
Due to customers	(14,084,599)	(2,512,097)	(5,578,773)	(7,609,342)	(1,868)	(518,678)	(30,305,357)
Debt securities issued	(127,023)	(610,209)	(1,285,498)	(102,544)	(540,023)	(13,212)	(2,678,509)
Other financial liabilities	–	–	–	–	–	(222,002)	(222,002)
Total financial liabilities	(17,346,168)	(4,362,511)	(8,375,611)	(8,249,689)	(569,079)	(871,429)	(39,774,487)
Interest rate gap	(7,982,027)	905,459	6,692,839	(3,222,857)	6,506,172	85,730	2,985,316

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.3 Market risk (Continued)

Interest rate risk (Continued)

The tables below summarize the contractual maturity or re-pricing date, whichever is earlier, of the Group's financial assets and liabilities at the end of each reporting period: (Continued)

	31 December 2023						
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	2,673,721	–	10,524	–	–	237,802	2,922,047
Deposits with banks and other financial institutions	285,086	96,101	670,690	16,947	–	11,252	1,080,076
Placements with and loans to banks and other financial institutions	184,543	98,819	211,918	17,362	–	3,539	516,181
Derivative financial assets	–	–	–	–	–	24,873	24,873
Financial assets held under resale agreements	1,792,438	10,303	1,476	–	–	5,342	1,809,559
Loans and advances to customers	5,377,071	3,660,201	11,355,552	821,121	467,469	50,352	21,731,766
Financial assets at fair value through profit or loss	3,120	41,560	108,124	37,472	218,534	138,597	547,407
Debt instrument investments at amortized cost	80,170	148,416	518,797	2,488,081	5,077,004	150,787	8,463,255
Other debt instrument and other equity investments at fair value through other comprehensive income	90,533	309,528	585,803	614,968	577,793	24,426	2,203,051
Other financial assets	–	–	–	–	–	143,663	143,663
Total financial assets	10,486,682	4,364,928	13,462,884	3,995,951	6,340,800	790,633	39,441,878
Borrowings from central banks	(120,354)	(177,111)	(816,714)	–	–	(12,890)	(1,127,069)
Deposits from banks and other financial institutions	(2,554,534)	(344,236)	(505,377)	(223,744)	(7,400)	(18,206)	(3,653,497)
Placements from banks and other financial institutions	(137,162)	(133,058)	(103,998)	(2,673)	(2,337)	(3,062)	(382,290)
Financial liabilities at fair value through profit or loss	(80)	–	(321)	(209)	–	(11,987)	(12,597)
Derivative financial liabilities	–	–	–	–	–	(27,817)	(27,817)
Financial assets sold under repurchase agreements	(18,690)	(40,398)	(40,715)	–	–	(718)	(100,521)
Due to customers	(14,978,192)	(1,774,052)	(4,446,867)	(7,232,534)	(7,650)	(459,173)	(28,898,468)
Debt securities issued	(175,187)	(536,137)	(997,562)	(89,151)	(484,976)	(12,908)	(2,295,921)
Other financial liabilities	–	–	–	–	–	(159,994)	(159,994)
Total financial liabilities	(17,984,199)	(3,004,992)	(6,911,554)	(7,548,311)	(502,363)	(706,755)	(36,658,174)
Interest rate gap	(7,497,517)	1,359,936	6,551,330	(3,552,360)	5,838,437	83,878	2,783,704

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.3 Market risk (Continued)

Interest rate risk (Continued)

The following table illustrates the potential pre-tax impact, of a parallel upward or downward shift of 100 basis points in relevant interest rate curves on the Group's net interest income and other comprehensive income for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets and interest-bearing liabilities at the end of each reporting period. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparalleled yield curve movements.

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behavior, basis risk or any prepayment options on debt securities into consideration.

The sensitivity analysis on other comprehensive income reflects only the effect of changes in fair value of those financial instruments classified as other debt instrument investments and other equity investments at fair value through other comprehensive income held, whose fair value changes are recorded as an element of other comprehensive income.

	31 December 2024		31 December 2023	
	Net interest income	**Other comprehensive income**	Net interest income	Other comprehensive income
+100 basis points	**(43,851)**	**(95,502)**	(35,951)	(69,135)
-100 basis points	**43,851**	**95,502**	35,951	69,135

The assumptions do not reflect actions that might be taken under the Group's capital and interest rate risk management policy to mitigate changes to the Group's interest rate risk. Therefore the above analysis may differ from the actual situation.

In addition, the presentation of interest rate sensitivity above is for illustration purposes only, showing the potential impact on net interest income and other comprehensive income of the Group under different parallel yield curve movements, relative to their position at period-end, excluding the derivative positions.

44.4 Country risk

Country risk represents the risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which results in the debtors in that country or region incapable of or unwilling to pay their debts owed to the Bank or otherwise leads to business losses or other losses to the Bank in that country or region.

According to the regulatory requirements of NFRA, the Bank managed country risk through tools and approaches such as country risk rating, limit approval, exposure analysis and stress testing. Meanwhile, we made adequate, reasonable and prudent provision for country risk in accordance with regulatory requirements.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Financial risk management (Continued)

44.5 Insurance risk

The Group engages in its insurance business primarily in Chinese mainland. Insurance risk refers to the financial impact resulting from the unexpected occurrence of insured events. These risks are actively managed by the Group through effective sales management, underwriting control, reinsurance management and claim management. Through effective sales management, the risk of mis-selling could be reduced and the accuracy of information used for underwriting is improved. Through underwriting control, risk of adverse selection could be reduced and moreover differential pricing policy based on the level of each kind of risk could be utilized. Through reinsurance, the Group's insurance capacity could be enhanced and targeted risks could be mitigated. Effective claims management is designed to ensure that insurance payments are controlled according to established criteria.

Uncertainty in the estimation of future benefit payments and premium receipts for long-term life insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality. The Group conducts experience analysis of mortality rate and surrender rate, in order to improve its risk assessment and as a basis for reasonable estimates.

45 Capital management

The Group's capital management objectives are as follows:

— maintain an adequate capital base to support the development of its business;

— support the Group's financial stability and profitable growth;

— allocate capital through an efficient and risk based approach to optimize risk-adjusted return to shareholders; and

— safeguard the long-term sustainability of the Group's franchise so that it can continue to provide sufficient shareholder returns and benefits for other stakeholders.

In April 2014, the NFRA officially approved the Group to adopt advanced capital management approach. Within the scope of the approval, the Internal Ratings-Based approach is adopted to Credit Risk-weighted Assets for both retail and non-retail risk exposures, and the Standardized approach for both Operational Risk-weighted Assets and Market Risk-weighted Assets. In January 2017, the NFRA has officially approved the Group to adopt the Internal Models approach to measure its Market Risk-weighted Assets for qualified risk exposures.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 Capital management (Continued)

The Group calculates the capital adequacy ratio in accordance with "Capital Rules for Commercial Banks" and its relevant provisions issued by the NFRA since 1 January 2024. Regulatory requirements for capital adequacy ratio of commercial banks includes, among other things, requirements for minimum capital, capital conservation buffer, additional capital surcharge for systemically important banks, countercyclical buffer and Pillar II capital as follows:

— minimum regulatory requirements for Common Equity Tier-one Capital Adequacy Ratio, Tier-one Capital Adequacy Ratio and Capital Adequacy Ratio are 5%,6% and 8%, respectively;

— capital conservation buffer requires additional 2.5% of Common Equity Tier-one Capital Adequacy Ratio;

— additional capital surcharge for systemically important banks requires additional 1% of Common Equity Tier-one Capital Adequacy Ratio;

— should the regulators require countercyclical buffer under particular circumstances or regulators impose additional Pillar II capital requirements for specific banks, these requirements shall be met within the specified time limits.

Capital adequacy and the utilization of regulatory capital are closely monitored by the Group's management in accordance with the guidelines developed by the Basel Committee and relevant regulations promulgated by the NFRA. Required information related to capital levels and utilization is filed quarterly with the NFRA.

The Group's capital adequacy ratio calculated in accordance with the "Capital Rules for Commercial Banks" issued by the NFRA as at 31 December 2024 is as follows (the data as at 31 December 2023 was not restated):

	Notes	31 December 2024	31 December 2023
Common Equity Tier-one Capital Adequacy Ratio	(1)	**11.42%**	10.72%
Tier-one Capital Adequacy Ratio	(1)	**13.63%**	12.87%
Capital Adequacy Ratio	(1)	**18.19%**	17.14%
Common Equity Tier-one Capital	(2)	**2,592,674**	2,409,743
Deductible Items from Common Equity Tier-one Capital	(3)	**(10,369)**	(14,803)
Net Common Equity Tier-one Capital		**2,582,305**	2,394,940
Additional Tier-one Capital	(4)	**499,559**	480,009
Net Tier-one Capital		**3,081,864**	2,874,949
Tier-two Capital	(5)	**1,030,789**	953,222
Net Capital		**4,112,653**	3,828,171
Risk-weighted Assets	(6)	**22,603,866**	22,338,078

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 Capital management (Continued)

As of 31 December 2024, the Group's Common Equity Tier-one Capital Adequacy Ratio, Tier-one Capital Adequacy Ratio and Capital Adequacy Ratio all meet the requirements set forth in *the Capital Rules for Commercial Banks* and other relevant regulations. For more information regarding capital, please refer to *the 2024 Pillar 3 Report* published by the Bank on official website.

Pursuant to the "Capital Rules for Commercial Banks":

(1) The scope of consolidation related to the calculation of the Group's Capital Adequacy Ratios includes Domestic Institutions, Overseas Institutions and affiliated financial subsidiaries specified in the Regulation.

The Common Equity Tier-one Capital Adequacy Ratio is calculated as Net Common Equity Tier-one Capital divided by Risk-weighted Assets. The Tier-one Capital Adequacy Ratio is calculated as Net Tier-one Capital divided by Risk-weighted Assets. The Capital Adequacy Ratio is calculated as Net Capital divided by Risk-weighted Assets.

(2) The Group's Common Equity Tier-one Capital includes: ordinary share capital, capital reserve (subject to regulatory limitations), surplus reserve, general reserve, retained earnings, accumulated other comprehensive income and non-controlling interests (to the extent permitted in the Common Equity Tier-one Capital under the Regulation).

(3) The Group's Deductible Items from Common Equity Tier-one Capital include: other intangible assets (excluding land-use rights), and Common Equity Tier-one Capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope for the Capital Adequacy Ratios calculation.

(4) The Group's Additional Tier-one Capital includes: other equity instruments issued and non-controlling interests (to the extent permitted in the Additional Tier-one Capital definition under the Regulation).

(5) The Group's Tier-two Capital includes: Tier-two capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for impairment losses, and minority interests (to the extent permitted in the Tier-two Capital definition under the Regulation).

(6) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets.

46 Fair value of financial instruments

The majority of the Group's assets and liabilities in the consolidated statement of financial position are financial assets and financial liabilities. Fair value measurement of non-financial assets and non-financial liabilities does not have a material impact on the Group's financial position and operations, taken as a whole.

The Group does not have any financial assets or financial liabilities subject to non-recurring fair value measurements for the years ended 31 December 2024 and 31 December 2023.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 Fair value of financial instruments (Continued)

46.1 Valuation technique, input and process

The fair value of the Group's financial assets and financial liabilities are determined as follows:

— If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

— If not traded in active markets, fair values of financial assets and financial liabilities are determined by using valuation techniques. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models.

The Group has established an independent valuation process for financial assets and financial liabilities. The Financial Accounting Department of head office establishes the valuation models for financial assets and financial liabilities of head office and its branches in China and independently implements the valuation on a regular basis; and the Risk Management Department is responsible for validating the valuation model, the Operations Departments records the accounting for these items. Overseas branches and sub-branches designate departments or personnel that are independent from the front trading office to perform valuation in accordance with the local regulatory requirements and their own department settings.

The Board of Directors shall be responsible for establishing and improving the internal control system related to the valuation of financial instruments and approving valuation policies.

For the years ended 31 December 2024 and 31 December 2023, there were no significant changes in the valuation techniques or inputs used to determine fair value measurements.

46.2 Fair value hierarchy

The level in which fair value measurement is categorized is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and

Level 3: fair value measurements are not based on observable market data.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 Fair value of financial instruments (Continued)

46.3 Financial assets and financial liabilities not measured at fair value in the consolidated statement of financial position

The tables below summarize the carrying amounts and fair values of those financial assets and financial liabilities not measured in the consolidated statement of financial position at their fair value. Financial assets and financial liabilities for which the carrying amounts approximate fair value, such as balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers, receivable from the MOF, special government bond, borrowings from central banks, deposits and placements from banks and other financial institutions, due to customers, financial assets sold under repurchase agreements and certificates of deposit issued, interbank certificate of deposits issued and commercial papers issued are not included in the tables below.

	31 December 2024				
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Debt instrument investments at amortized cost (excluding receivable from the MOF and special government bond)	**9,463,400**	**10,199,648**	**73,827**	**10,074,667**	**51,154**
Financial liabilities					
Bonds issued	**690,922**	**723,294**	**40,118**	**683,176**	**–**

	31 December 2023				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Debt instrument investments at amortized cost (excluding receivable from the MOF and special government bond)	8,028,554	8,296,564	72,433	8,161,452	62,679
Financial liabilities					
Bonds issued	627,615	624,941	45,222	579,719	–

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 Fair value of financial instruments (Continued)

46.4 Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position

The tables below summarize the fair values of the financial assets and financial liabilities measured in the consolidated statement of financial position at their fair value.

	31 December 2024			
	Level 1	Level 2	Level 3	Total
Derivative financial assets				
— Exchange rate derivatives	–	60,832	–	60,832
— Interest rate derivatives	–	3,500	–	3,500
— Precious metal derivatives and others	–	1,588	–	1,588
Subtotal	–	65,920	–	65,920
Loans and advances to customers				
— Discounted bills and forfeiting	–	1,817,338	–	1,817,338
Subtotal	–	1,817,338	–	1,817,338
Financial investment				
Financial assets at fair value through profit or loss				
— Held for trading				
Bonds	4,196	127,243	–	131,439
Precious metal contracts	–	20,967	–	20,967
Equity	7,174	–	–	7,174
Fund and others	2,384	14,385	–	16,769
— Other financial assets at fair value through profit or loss				
Bonds	2,212	178,611	2,673	183,496
Equity	7,640	3,337	97,867	108,844
Fund and others	–	20,628	23,358	43,986
— Financial assets designated at fair value through profit or loss				
Bonds	631	–	–	631
Subtotal	24,237	365,171	123,898	513,306
Other debt instruments and other equity investments at fair value through other comprehensive income				
— Debt instruments				
Bonds	237,583	3,172,686	–	3,410,269
Others	–	8,340	–	8,340
— Equity instruments	7,085	47	4,423	11,555
Subtotal	244,668	3,181,073	4,423	3,430,164
Total assets	268,905	5,429,502	128,321	5,826,728

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 Fair value of financial instruments (Continued)

46.4 Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position (Continued)

The tables below summarize the fair values of the financial assets and financial liabilities measured in the consolidated statement of financial position at their fair value. (Continued)

	31 December 2024			
	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Held for trading				
— Financial liabilities related to precious metals	–	(15,254)	–	(15,254)
Financial liabilities designated at fair value through profit or loss				
— Liabilities of the controlled structured entities	–	–	(587)	(587)
Subtotal	–	(15,254)	(587)	(15,841)
Derivative financial liabilities				
— Exchange rate derivatives	–	(46,098)	–	(46,098)
— Interest rate derivatives	–	(2,551)	–	(2,551)
— Precious metal derivatives and others	–	(9,497)	–	(9,497)
Subtotal	–	(58,146)	–	(58,146)
Due to customers				
Due to customers measured at fair value through profit or loss	–	(27,752)	–	(27,752)
Total liabilities	–	(101,152)	(587)	(101,739)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 Fair value of financial instruments (Continued)

46.4 Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position (Continued)

The tables below summarize the fair values of the financial assets and financial liabilities measured in the consolidated statement of financial position at their fair value. (Continued)

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Derivative financial assets				
— Exchange rate derivatives	–	22,151	–	22,151
— Interest rate derivatives	–	2,502	–	2,502
— Precious metal derivatives and others	–	220	–	220
Subtotal	–	24,873	–	24,873
Loans and advances to customers				
— Discounted bills and forfeiting	–	1,493,925	–	1,493,925
Subtotal	–	1,493,925	–	1,493,925
Financial investment				
Financial assets at fair value through profit or loss				
— Held for trading				
Bonds	7,038	150,571	–	157,609
Precious metal contracts	–	15,487	–	15,487
Equity	7,272	333	–	7,605
Fund and others	8,175	8,773	–	16,948
— Other financial assets at fair value through profit or loss				
Bonds	1,952	188,675	1,813	192,440
Equity	7,403	8,563	99,340	115,306
Fund and others	410	19,458	21,332	41,200
— Financial assets designated at fair value through profit or loss				
Bonds	772	40	–	812
Subtotal	33,022	391,900	122,485	547,407
Other debt instruments and other equity investments at fair value through other comprehensive income				
— Debt instruments				
Bonds	227,807	1,958,686	–	2,186,493
Others	–	9,192	–	9,192
— Equity instruments	2,968	–	4,398	7,366
Subtotal	230,775	1,967,878	4,398	2,203,051
Total assets	263,797	3,878,576	126,883	4,269,256

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 Fair value of financial instruments (Continued)

46.4 Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position (Continued)

The tables below summarize the fair values of the financial assets and financial liabilities measured in the consolidated statement of financial position at their fair value. (Continued)

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Held for trading				
— Financial liabilities related to precious metals	–	(11,987)	–	(11,987)
Financial liabilities designated at fair value through profit or loss				
— Liabilities of the controlled structured entities	–	–	(530)	(530)
— Others	–	(80)	–	(80)
Subtotal	–	(12,067)	(530)	(12,597)
Derivative financial liabilities				
— Exchange rate derivatives	–	(20,513)	–	(20,513)
— Interest rate derivatives	–	(1,420)	–	(1,420)
— Precious metal derivatives and others	–	(5,884)	–	(5,884)
Subtotal	–	(27,817)	–	(27,817)
Due to customers				
Due to customers measured at fair value through profit or loss	–	(8,742)	–	(8,742)
Total liabilities	–	(48,626)	(530)	(49,156)

Substantially all financial instruments classified within Level 2 of the fair value hierarchy are debt investments, currency forwards, currency swaps, interest rate swaps, currency options, precious metal contracts and structured deposit measured at fair value. Fair value of debt investments denominated in RMB is determined based upon the valuation published by the China Central Depository & Clearing Co., Ltd. Fair value of debt investments denominated in foreign currencies is determined based upon the valuation results published by Bloomberg. The fair value of currency forwards, currency swaps, interest rate swaps, currency options and structured deposit measured at fair value are calculated by applying discounted cash flow analysis or the Black Scholes Pricing Model. The fair value of precious metal contracts that are related to the Group's trading activities is determined with reference to the relevant observable market parameters. All significant inputs are observable in the market.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 Fair value of financial instruments (Continued)

46.4 Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position (Continued)

Level 3 financial assets of the Group mainly represented unlisted equity investments. As not all of the inputs needed to estimate the fair value of these assets and liabilities are observable, the Group classified these investment products within Level 3 of the fair value measurement hierarchy. The significant unobservable inputs related to these assets and liabilities are those parameters relating to credit risk, liquidity and discount rate. Management has made assumptions on unobservable inputs based on observed indicators of impairment, significant changes in yield, external credit ratings and comparable credit spreads, but the fair value of these underlying assets and liabilities could be different from those disclosed.

The reconciliation of Level 3 classified financial assets and financial liabilities presented at fair value in the consolidated statement of financial position is as follows:

	2024		
	Financial assets at fair value through profit or loss	**Other debt instrument and other equity investments at fair value through other comprehensive income**	**Financial liabilities at fair value through profit or loss**
1 January 2024	**122,485**	**4,398**	**(530)**
Purchases	**21,548**	**–**	**(1)**
Settlements/disposals/transfer out of Level 3	**(21,184)**	**–**	**–**
Total gain/(loss) recognized in			
— Profit or loss	**1,049**	**–**	**(56)**
— Other comprehensive income	**–**	**25**	**–**
31 December 2024	**123,898**	**4,423**	**(587)**
Change in unrealized profit or loss for the year included in profit or loss for assets/liabilities held at the end of the year	**179**	**–**	**–**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 Fair value of financial instruments (Continued)

46.4 Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position (Continued)

The reconciliation of Level 3 classified financial assets and financial liabilities presented at fair value in the consolidated statement of financial position is as follows: (Continued)

	2023		
	Financial assets at fair value through profit or loss	Other debt instrument and other equity investments at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss
1 January 2023	113,844	3,471	(248)
Purchases	24,498	901	(362)
Settlements/disposals/transfer out of Level 3	(15,621)	–	–
Total (loss)/gain recognized in			
— Profit or loss	(236)	(244)	80
— Other comprehensive income	–	270	–
31 December 2023	122,485	4,398	(530)
Change in unrealized profit or loss for the year included in profit or loss for assets/liabilities held at the end of the year	(34)	–	–

In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year are presented in net gain on financial investments (Note IV 4) of the consolidated statement of profit or loss.

47 Events after the reporting period

47.1 Profit appropriation

(1) A cash dividend at the dividend rate of 4.84% per annum related to the second tranche of preference shares amounting to RMB1,936 million (tax included) in total was approved at the Board of Directors' Meeting held on 14 February 2025 and was distributed on 11 March 2025.

(2) An interest at the interest rate of 3.49% per annum related to the 2022-first tranche of perpetual bonds of RMB50 billion amounting to RMB1,745 million in total was declared on 20 February 2025 and distributed on 22 February 2025.

(3) Upon approval at the 2024 Third Extraordinary General Meeting, the Group distributed 2024 interim cash dividend of RMB0.1164 (tax inclusive) per ordinary share, with a total amount of RMB40,738 million (tax inclusive), to shareholders of ordinary shares on our registers of members after close of the market on 7 January 2025.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 Comparative figures

The Group adjusted certain comparative figures in notes to the consolidated financial statements to meet the reporting requirements during this reporting period.

49 Statement of financial position of the Bank

	As at 31 December	
	2024	2023
Assets		
Cash and balances with central banks	**2,133,890**	2,921,494
Deposits with banks and other financial institutions	**536,695**	1,054,822
Precious metals	**115,253**	54,356
Placements with and loans to banks and other financial institutions	**612,521**	600,339
Derivative financial assets	**65,920**	24,873
Financial assets held under resale agreements	**1,364,302**	1,807,717
Loans and advances to customers	**23,884,470**	21,637,777
Financial investments		
Financial assets at fair value through profit or loss	**346,320**	375,809
Debt instrument investments at amortized cost	**9,870,492**	8,432,030
Other debt instrument and other equity investments at fair value through other comprehensive income	**3,292,912**	2,105,474
Investment in subsidiaries	**51,522**	51,521
Investment in associates and joint ventures	**4,323**	2,151
Property and equipment	**137,947**	142,045
Deferred tax assets	**147,104**	159,899
Other assets	**304,332**	188,308
Total assets	**42,868,003**	39,558,615
Liabilities		
Borrowings from central banks	**847,324**	1,127,068
Deposits from banks and other financial institutions	**4,679,817**	3,659,398
Placements from banks and other financial institutions	**266,842**	293,716
Financial liabilities at fair value through profit or loss	**15,254**	12,067
Derivative financial liabilities	**58,146**	27,817
Financial assets sold under repurchase agreements	**600,578**	95,345
Due to customers	**30,304,622**	28,897,264
Dividends payable	**40,738**	–
Debt securities issued	**2,647,697**	2,261,597
Other liabilities	**350,511**	323,634
Total liabilities	**39,811,529**	36,697,906

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 Statement of financial position of the Bank (Continued)

	As at 31 December	
	2024	2023
Equity		
Ordinary shares	**349,983**	349,983
Other equity instruments	**500,000**	480,000
Preference shares	**80,000**	80,000
Perpetual bonds	**420,000**	400,000
Capital reserve	**173,215**	173,226
Other comprehensive income	**84,447**	42,846
Surplus reserve	**298,981**	271,475
General reserve	**524,641**	448,479
Retained earnings	**1,125,207**	1,094,700
Total equity	**3,056,474**	2,860,709
Total equity and liabilities	**42,868,003**	39,558,615

Approved and authorized for issue by the Board of Directors on 28 March 2025.

Gu Shu	**Wang Zhiheng**
Chairman	*Vice Chairman*

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50 Statement of changes in equity of the Bank

	Ordinary shares	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
As at 31 December 2023	349,983	480,000	173,226	42,846	271,475	448,479	1,094,700	2,860,709
Profit for the year	-	-	-	-	-	-	275,004	275,004
Other comprehensive income	-	-	-	41,604	-	-	-	41,604
Total comprehensive income for the year	-	-	-	41,604	-	-	275,004	316,608
Capital contribution from equity holders	-	20,000	(11)	-	-	-	-	19,989
Appropriation to surplus reserve	-	-	-	-	27,506	-	(27,506)	-
Appropriation to general reserve	-	-	-	-	-	76,162	(76,162)	-
Dividends paid to ordinary equity holders	-	-	-	-	-	-	(121,549)	(121,549)
Dividends paid to other equity instruments holders	-	-	-	-	-	-	(19,283)	(19,283)
Other comprehensive income transferred to retained earnings	-	-	-	(3)	-	-	3	-
As at 31 December 2024	349,983	500,000	173,215	84,447	298,981	524,641	1,125,207	3,056,474

	Ordinary shares	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
As at 31 December 2022	349,983	440,000	173,227	37,409	245,235	381,222	1,019,630	2,646,706
Profit for the year	-	-	-	-	-	-	262,396	262,396
Other comprehensive income	-	-	-	5,437	-	-	-	5,437
Total comprehensive income for the year	-	-	-	5,437	-	-	262,396	267,833
Capital contribution from equity holders	-	40,000	(1)	-	-	-	-	39,999
Appropriation to surplus reserve	-	-	-	-	26,240	-	(26,240)	-
Appropriation to general reserve	-	-	-	-	-	67,257	(67,257)	-
Dividends paid to ordinary equity holders	-	-	-	-	-	-	(77,766)	(77,766)
Dividends paid to other equity instruments holders	-	-	-	-	-	-	(16,063)	(16,063)
As at 31 December 2023	349,983	480,000	173,226	42,846	271,475	448,479	1,094,700	2,860,709

According to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Banking (Disclosure) Rules, the Group discloses the following supplementary information:

1 LIQUIDITY COVERAGE RATIOS

	Three months ended			
	31 March 2024	30 June 2024	30 September 2024	31 December 2024
Average Liquidity Coverage Ratio	**131.2%**	**120.3%**	**126.7%**	**131.0%**

	Three months ended			
	31 March 2023	30 June 2023	30 September 2023	31 December 2023
Average Liquidity Coverage Ratio	124.5%	126.5%	126.9%	123.9%

The liquidity coverage ratios were also in accordance with the Rules on Liquidity Risk Management of Commercial Banks issued by the NFRA and applicable calculation requirements, and based on the data determined under the PRC GAAP.

2 CURRENCY CONCENTRATIONS

	Equivalent in millions of RMB			
	USD	HKD	Other	Total
31 December 2024				
Spot assets	**1,210,566**	**152,261**	**292,792**	**1,655,619**
Spot liabilities	**(976,949)**	**(317,126)**	**(255,038)**	**(1,549,113)**
Forward purchases	**1,805,609**	**255,770**	**197,316**	**2,258,695**
Forward sales	**(1,984,656)**	**(58,742)**	**(253,434)**	**(2,296,832)**
Net options position	**(89,925)**	**683**	**(5,285)**	**(94,527)**
Net (short)/long position	**(35,355)**	**32,846**	**(23,649)**	**(26,158)**
Net structural position	**(3,687)**	**4,196**	**(4,626)**	**(4,117)**

	Equivalent in millions of RMB			
	USD	HKD	Other	Total
31 December 2023				
Spot assets	1,130,419	160,483	316,031	1,606,933
Spot liabilities	(1,161,549)	(161,577)	(253,171)	(1,576,297)
Forward purchases	1,117,602	71,148	212,257	1,401,007
Forward sales	(1,029,953)	(45,004)	(275,451)	(1,350,408)
Net options position	(82,231)	771	2,922	(78,538)
Net (short)/long position	(25,712)	25,821	2,588	2,697
Net structural position	(3,884)	2,022	(3,586)	(5,448)

3 OVERDUE AND RESCHEDULED ASSETS

(1) Gross carrying amount of overdue loans and advances to customers

	As at 31 December	
	2024	2023
Overdue		
Within 3 months	**100,140**	111,027
Between 3 and 6 months	**48,045**	30,518
Between 6 and 12 months	**61,781**	40,257
Over 12 months	**83,131**	62,728
Total	**293,097**	244,530
Percentage of overdue loans and advances to customers in total loans		
Within 3 months	**0.40%**	0.48%
Between 3 and 6 months	**0.19%**	0.14%
Between 6 and 12 months	**0.26%**	0.18%
Over 12 months	**0.33%**	0.28%
Total	**1.18%**	1.08%

(2) Rescheduled loans and advances to customers

	As at 31 December	
	2024	2023
Total rescheduled loans and advances to customers	**105,510**	44,525
Including: rescheduled loans and advances to customers overdue for not more than 3 months	**9,298**	5,845
Percentage of rescheduled loans and advances to customers overdue for not more than 3 months in total loans	**0.04%**	0.03%

(3) Gross carrying amount of overdue placements with and loans to banks and other financial institutions.

As at 31 December 2024 and 31 December 2023, the Group's gross carrying amounts of overdue placements with and loans to banks and other financial institutions were not significant.

Independent Auditor's Report



To the Shareholders of Agricultural Bank of China Limited
(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Agricultural Bank of China Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 182 to 350, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, 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 notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA 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.

Measurement of expected credit losses for loans and advances to customers

Refer to the accounting policy in "Note II 8.5 Impairment of financial instruments, Note III 2 Measurement of the expected credit loss allowance", and "Note IV 8 Credit impairment losses, Note IV 17 Loans and advances to customers, Note IV 44.1 Credit risk" to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The Group uses an expected credit loss ("ECL") model to measure the loss allowance for loans and advances to customers in accordance with International Financial Reporting Standard 9, Financial instruments. The determination of loss allowance for loans and advances to customers using the expected credit loss model is subject to the application of a number of key parameters and assumptions, including the credit risk staging, probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Extensive management judgement is involved in the selection of those parameters and the application of the assumptions. In particular, the determination of the loss allowance is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The ECL for corporate loans and advances are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The ECL for personal loans and advances are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors.	Our audit procedures to assess ECL for loans and advances to customers included the following: • with the assistance of KPMG's IT specialists, understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and advances to customers, the credit risk staging process and the measurement of ECL for loans and advances to customers. • with the assistance of KPMG's financial risk specialists, assessing the appropriateness of the ECL model in determining loss allowances and the appropriateness of the key parameters and assumptions in the model, which included credit risk staging, probability of default, loss given default, exposure at default, adjustments for forward-looking information and other adjustments, and assessing the appropriateness of related key management judgement. • for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral. As part of these procedures, we assessed management's revisions to estimates and input parameters by comparing with prior period and considered the consistency of judgement. • comparing the macroeconomic forward-looking information used in the model with market information to assess whether they were aligned with market and economic development. • assessing the completeness and accuracy of data used in the ECL model. For key internal data, we compared the total balance of the loans and advances' list used by management to assess the ECL with the general ledger to check the completeness of the data. We also selected samples to compare individual loan and advance information with the underlying agreements and other related documentation, to check the accuracy of the data and samples, to check the accuracy of external data by comparing them with public resources.

Measurement of expected credit losses for loans and advances to customers (Continued)

Refer to the accounting policy in "Note II 8.5 Impairment of financial instruments, Note III 2 Measurement of the expected credit loss allowance", and "Note IV 8 Credit impairment losses, Note IV 17 Loans and advances to customers, Note IV 44.1 Credit risk" to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include the financial situation of the borrower, the security type, the seniority of the claim, the recoverable amount of collateral, and other repayment sources of the borrower. Management refers to valuation reports of collateral issued by qualified third party valuers and considers the influence of various factors including the market price, status and use when assessing the value of collaterals. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral. We identified the measurement of ECL of loans and advances to customers as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.	• for key parameters used in the ECL model which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis. In addition, we involved KPMG's IT specialists to assess the logics and compilation of the loans and advances' overdue information on a sample basis. • evaluating the reasonableness of management's assessment on whether the credit risk of the loan and advance has, or has not, increased significantly since initial recognition and whether the loan and advance is credit-impaired by selecting risk-based samples. We analyzed the portfolio by industry sector to select samples in industries more vulnerable to the current economic situation with reference to other borrowers with potential credit risk. For selected samples, we checked loan overdue information, making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and researching market information about borrowers' businesses, to check the credit risk status of the borrower, and the reasonableness of the loans' credit risk stage. • evaluating the reasonableness of loss given default for selected samples of corporate loans and advances to customers that are credit-impaired, by checking the financial situation of the borrower, the security type, the seniority of the claim, the recoverable amount of collateral, and other repayment sources of the borrower. Evaluating management's assessment of the value of any collateral, by comparison with evaluation result based on the category, status, use of the collateral and market prices. For valuation reports of collateral issued by qualified third party, we evaluated the competence, professional quality and objectivity of the external appraiser. We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows, assessed the viability of the Group's recovery plans; based on the above work, we selected samples and assessed the accuracy of calculation for loans and advances' credit losses by using the ECL model.

Measurement of expected credit losses for loans and advances to customers (Continued)	
Refer to the accounting policy in "Note II 8.5 Impairment of financial instruments, Note III 2 Measurement of the expected credit loss allowance", and "Note IV 8 Credit impairment losses, Note IV 17 Loans and advances to customers, Note IV 44.1 Credit risk" to the consolidated financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
	• performing retrospective review of expected credit loss model components and significant assumptions, to back-test past estimates element against actual outcomes, and assess whether the results indicate possible management bias on loss estimation. • assessing the reasonableness of the disclosures in the financial statements in relation to expected credit losses for loans and advances against prevailing accounting standards.

Measurement of interests in and consolidation of structured entities	
Refer to the accounting policy in "Note II 2 Consolidation, Note III 5 Consolidation of structured entities", and "Note IV 41 Structured entities" to the consolidated financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire an ownership interest in a structured entity, through initiating, investing or retaining shares in a Wealth Management Products ("WMPs"), securitization products, funds, trust investment plans, debt investment plans and asset management plans. The Group may also retain partial interests in derecognized assets due to guarantees or securitization structures. In determining whether the Group retains any partial interests in a structured entity or should consolidate a structured entity, management is required to consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions. We identified the recognition of interests in and consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and because of the judgement exercised by management in the qualitative assessment of the terms and the nature of each entity.	Our audit procedures to assess the measurement of interests in and consolidation of structured entities included the following: • assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over measurement of interests in and consolidation of structured entities. • selecting significant structured entities of each key product type and performing the following procedures: — inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity; — inspecting the risk and reward structure of the structured entity, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgement as to the exposure, or rights, to variable returns from the Group's involvement in such an entity; — inspecting management's analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity, to assess management's judgement over the Group's ability to affect its own returns from the structured entity; — assessing management's judgement over whether the structured entity should be consolidated or not. • assessing the reasonableness of the disclosures in the financial statements in relation to the measurement of interests in and consolidation of structured entities against prevailing accounting standards.

Measurement of financial instruments' fair value	
Refer to the accounting policy in "Note II 8.3 Determination of fair value, Note III 3 Fair value of financial instruments", and "Note IV 46 Fair value of financial instruments" to the consolidated financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
Financial instruments carried at fair value account for a significant part of the Group's assets and liabilities. The fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income. The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation models for which use quoted market prices and observable inputs, respectively. Where one or more significant unobservable inputs, such as credit risk, liquidity and discount rate, are involved in the valuation techniques, as in the case of level 3 financial instruments, then estimates need to be developed which can involve extensive management judgements. We identified measurement of financial instruments' fair value as a key audit matter because of the assets and liabilities measured at fair value are material to the Group and the degree of complexity involved in the valuation techniques and the degree of judgement exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess measurement of financial instruments' fair value included the following: • assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the model building, model validation, independent valuation and front office and back office reconciliations for financial instruments. • assessing the level 1 fair value of financial instruments, on a sample basis, by comparing the fair value applied by the Group with publicly available market data. • for level 2 and level 3 financial instruments, on a sample basis, involving KPMG's valuation specialists to assess whether the valuation method selected is appropriate with reference to the prevailing accounting standards. Our procedures included: developing parallel models, obtaining inputs independently and verifying the inputs; assessing the appropriate application of fair value adjustment that form an integral part of fair value, by inquiring of management about any changes in the fair value adjustment methodologies and assessing the appropriateness of the inputs applied; and comparing our valuation results with that of the Group. • assessing the reasonableness of the disclosures in the financial statements in relation to fair value of financial instruments against prevailing accounting standards.

Information other than the Consolidated Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by 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 are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Yuen Shan.



Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023
(Amounts in millions of Renminbi, unless otherwise stated)

		Year ended 31 December	
		2023	2022
	Note IV		(Restated)
Interest income	1	**1,223,698**	1,108,464
Interest expense	1	**(651,948)**	(518,581)
Net interest income	1	**571,750**	589,883
Fee and commission income	2	**94,710**	95,518
Fee and commission expense	2	**(14,617)**	(14,236)
Net fee and commission income	2	**80,093**	81,282
Net trading gain	3	**23,124**	5,519
Net gain on financial investments	4	**16,764**	5,909
Net gain on derecognition of financial assets measured at amortized cost		**1,038**	160
Other operating income	5	**2,699**	12,530
Operating income		**695,468**	695,283
Operating expenses	6	**(252,305)**	(243,571)
Credit impairment losses	8	**(135,707)**	(145,266)
Impairment losses on other assets		**(226)**	(59)
Operating profit		**307,230**	306,387
Share of results of associates and joint ventures		**189**	66
Profit before tax		**307,419**	306,453
Income tax expense	9	**(37,599)**	(47,587)
Profit for the year		**269,820**	258,866
Attributable to:			
Equity holders of the Bank		**269,356**	259,232
Non-controlling interests		**464**	(366)
		269,820	258,866
Earnings per share attributable to the ordinary equity holders of the Bank (expressed in RMB yuan per share)			
— Basic and diluted	11	**0.72**	0.69

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023
(Amounts in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2023	2022 (Restated)
Profit for the year	**269,820**	258,866
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income	**16,206**	(16,089)
Loss allowance on debt instruments at fair value through other comprehensive income	**(8,803)**	16,717
Income tax impact for fair value changes and loss allowance on debt instruments at fair value through other comprehensive income	**(1,642)**	(516)
Foreign currency translation differences	**766**	3,853
Others	**(2,767)**	(689)
Subtotal	**3,760**	3,276
Items that will not be reclassified subsequently to profit or loss:		
Fair value changes on other equity investments designated at fair value through other comprehensive income	**527**	128
Income tax impact for fair value changes on other equity investments designated at fair value through other comprehensive income	**(146)**	(33)
Subtotal	**381**	95
Other comprehensive income, net of tax	**4,141**	3,371
Total comprehensive income for the year	**273,961**	262,237
Total comprehensive income attributable to:		
Equity holders of the Bank	**274,468**	263,165
Non-controlling interests	**(507)**	(928)
	273,961	262,237

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

Consolidated Statement of Financial Position

As at 31 December 2023
(Amounts in millions of Renminbi, unless otherwise stated)

	Note IV	As at 31 December 2023	2022 (Restated)
Assets			
Cash and balances with central banks	12	**2,922,047**	2,549,130
Deposits with banks and other financial institutions	13	**1,080,076**	630,885
Precious metals		**54,356**	83,389
Placements with and loans to banks and other financial institutions	14	**516,181**	500,330
Derivative financial assets	15	**24,873**	30,715
Financial assets held under resale agreements	16	**1,809,559**	1,172,187
Loans and advances to customers	17	**21,731,766**	18,980,973
Financial investments	18		
Financial assets at fair value through profit or loss		**547,407**	522,057
Debt instrument investments at amortized cost		**8,463,255**	7,306,000
Other debt instrument and other equity investments at fair value through other comprehensive income		**2,203,051**	1,702,106
Investment in associates and joint ventures	20	**8,386**	8,092
Property and equipment	21	**156,739**	152,572
Goodwill		**1,381**	1,381
Deferred tax assets	22	**160,750**	149,930
Other assets	23	**193,162**	135,741
Total assets		**39,872,989**	33,925,488
Liabilities			
Borrowings from central banks	24	**1,127,069**	901,116
Deposits from banks and other financial institutions	25	**3,653,497**	2,459,178
Placements from banks and other financial institutions	26	**382,290**	333,755
Financial liabilities at fair value through profit or loss	27	**12,597**	12,287
Derivative financial liabilities	15	**27,817**	31,004
Financial assets sold under repurchase agreements	28	**100,521**	43,779
Due to customers	29	**28,898,468**	25,121,040
Dividends payable	10	**—**	1,936
Debt securities issued	30	**2,295,921**	1,869,398
Deferred tax liabilities	22	**14**	9
Other liabilities	31	**477,928**	478,226
Total liabilities		**36,976,122**	31,251,728

	Note IV	As at 31 December 2023	2022 (Restated)
Equity			
Ordinary shares	32	**349,983**	349,983
Other equity instruments	33	**480,000**	440,000
Preference shares		**80,000**	80,000
Perpetual bonds		**400,000**	360,000
Capital reserve	34	**173,425**	173,426
Other comprehensive income	35	**41,506**	35,887
Surplus reserve	36	**273,558**	246,764
General reserve	37	**456,200**	388,600
Retained earnings		**1,114,576**	1,033,403
Equity attributable to equity holders of the Bank		**2,889,248**	2,668,063
Non-controlling interests		**7,619**	5,697
Total equity		**2,896,867**	2,673,760
Total equity and liabilities		**39,872,989**	33,925,488

Approved and authorized for issue by the Board of Directors on 28 March 2024.

Chairman *Executive Director*

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023
(Amounts in millions of Renminbi, unless otherwise stated)

		Total equity attributable to equity holders of the Bank									
	Note IV	Ordinary shares	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Subtotal	Non-controlling interests	Total
As at 31 December 2022 (Restated)		**349,983**	**440,000**	**173,426**	**35,887**	**246,764**	**388,600**	**1,033,403**	**2,668,063**	**5,697**	**2,673,760**
Changes in accounting policies (Note II 1.3)		**—**	**—**	**—**	**508**	**—**	**—**	**39**	**547**	**526**	**1,073**
As at 1 January 2023 (Restated)		**349,983**	**440,000**	**173,426**	**36,395**	**246,764**	**388,600**	**1,033,442**	**2,668,610**	**6,223**	**2,674,833**
Profit for the year		**—**	**—**	**—**	**—**	**—**	**—**	**269,356**	**269,356**	**464**	**269,820**
Other comprehensive income		**—**	**—**	**—**	**5,112**	**—**	**—**	**—**	**5,112**	**(971)**	**4,141**
Total comprehensive income for the year		**—**	**—**	**—**	**5,112**	**—**	**—**	**269,356**	**274,468**	**(507)**	**273,961**
Capital contribution from equity holders	33	**—**	**40,000**	**(1)**	**—**	**—**	**—**	**—**	**39,999**	**2,000**	**41,999**
Appropriation to surplus reserve	36	**—**	**—**	**—**	**—**	**26,794**	**—**	**(26,794)**	**—**	**—**	**—**
Appropriation to general reserve	37	**—**	**—**	**—**	**—**	**—**	**67,600**	**(67,600)**	**—**	**—**	**—**
Dividends paid to ordinary equity holders	10	**—**	**—**	**—**	**—**	**—**	**—**	**(77,766)**	**(77,766)**	**—**	**(77,766)**
Dividends paid to other equity instruments holders	10	**—**	**—**	**—**	**—**	**—**	**—**	**(16,063)**	**(16,063)**	**—**	**(16,063)**
Dividends paid to non-controlling equity holders		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(97)**	**(97)**
Other comprehensive income transferred to retained earnings		**—**	**—**	**—**	**(1)**	**—**	**—**	**1**	**—**	**—**	**—**
As at 31 December 2023		**349,983**	**480,000**	**173,425**	**41,506**	**273,558**	**456,200**	**1,114,576**	**2,889,248**	**7,619**	**2,896,867**
As at 31 December 2021 (Audited)		349,983	360,000	173,428	32,831	220,792	351,616	925,955	2,414,605	6,754	2,421,359
Changes in accounting policies (Note II 1.3)		—	—	—	(877)	—	—	787	(90)	(90)	(180)
As at 1 January 2022 (Restated)		349,983	360,000	173,428	31,954	220,792	351,616	926,742	2,414,515	6,664	2,421,179
Profit for the year		—	—	—	—	—	—	259,232	259,232	(366)	258,866
Other comprehensive income		—	—	—	3,933	—	—	—	3,933	(562)	3,371
Total comprehensive income for the year		—	—	—	3,933	—	—	259,232	263,165	(928)	262,237
Capital contribution from equity holders	33	—	80,000	(3)	—	—	—	—	79,997	—	79,997
Appropriation to surplus reserve	36	—	—	—	—	25,972	—	(25,972)	—	—	—
Appropriation to general reserve	37	—	—	—	—	—	36,984	(36,984)	—	—	—
Dividends paid to ordinary equity holders	10	—	—	—	—	—	—	(72,376)	(72,376)	—	(72,376)
Dividends paid to other equity instruments holders	10	—	—	—	—	—	—	(17,239)	(17,239)	—	(17,239)
Dividends paid to non-controlling equity holders		—	—	—	—	—	—	—	—	(2)	(2)
Others		—	—	1	—	—	—	—	1	(37)	(36)
As at 31 December 2022 (Restated)		349,983	440,000	173,426	35,887	246,764	388,600	1,033,403	2,668,063	5,697	2,673,760

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2023
(Amounts in millions of Renminbi, unless otherwise stated)

	Note IV	Year ended 31 December 2023	2022 (Restated)
Cash flows from operating activities			
Profit before tax		**307,419**	306,453
Adjustments for:			
Amortization of intangible assets and other assets		**3,406**	3,466
Depreciation of property, equipment and right-of-use assets, and others		**18,897**	17,792
Credit impairment losses		**135,707**	145,266
Impairment losses on other assets		**226**	59
Interest income arising from investment securities		**(308,166)**	(277,557)
Interest expense on debt securities issued		**59,548**	45,140
Revaluation gain on financial instruments at fair value through profit or loss		**(3,070)**	(5,647)
Net gain on investment securities		**(2,630)**	(847)
Share of results of associates and joint ventures		**(189)**	(66)
Net gain on disposal and stocktake of property, equipment and other assets		**(1,015)**	(797)
Net foreign exchange gain		**(6,188)**	(2,547)
		203,945	230,715
Net changes in operating assets and operating liabilities:			
Net increase in balances with central banks, deposits with banks and other financial institutions		**(634,780)**	(444,340)
Net (increase)/decrease in placements with and loans to banks and other financial institutions		**(45,145)**	17,681
Net decrease/(increase) in financial assets held under resale agreements		**14,134**	(16,796)
Net increase in loans and advances to customers		**(2,824,236)**	(2,598,566)
Net increase in borrowings from central banks		**223,165**	150,974
Net increase in placements from banks and other financial institutions		**47,500**	41,292
Net increase in due to customers and deposits from banks and other financial institutions		**4,893,673**	3,972,068
Increase in other operating assets		**(139,258)**	(54,859)
Increase in other operating liabilities		**144,040**	93,151
Cash from operations		**1,883,038**	1,391,320
Income tax paid		**(57,756)**	(69,317)
Net cash from operating activities		**1,825,282**	1,322,003

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2023
(Amounts in millions of Renminbi, unless otherwise stated)

	Note IV	Year ended 31 December 2023	2022 (Restated)
Cash flows from investing activities			
Cash received from disposal of investment securities		**2,251,735**	2,006,183
Cash received from investment income		**299,994**	266,576
Cash received from disposal of investment in associates and joint ventures		**163**	1,685
Cash received from disposal of property, equipment and other assets		**4,568**	5,857
Cash paid for purchase of investment securities		**(3,858,350)**	(3,308,162)
Acquisition of non-controlling interests		**—**	(37)
Increase in investment in associates and joint ventures		**(490)**	(2,000)
Cash paid for purchase of property, equipment and other assets		**(28,827)**	(22,092)
Net cash used in investing activities		**(1,331,207)**	(1,051,990)
Cash flows from financing activities			
Contribution from issues of other equity instruments		**42,000**	80,000
Cash payments for transaction cost of other equity instruments issued		**(1)**	(3)
Cash received from debt securities issued		**3,341,941**	2,035,552
Cash payments for transaction cost of debt securities issued		**(8)**	(18)
Repayments of debt securities issued		**(2,886,006)**	(1,656,608)
Cash payments for interest on debt securities issued		**(89,774)**	(68,079)
Cash payments for principal portion and interest portion of lease liability		**(4,850)**	(4,946)
Dividends paid		**(95,862)**	(87,681)
Net cash from financing activities		**307,440**	298,217
Net increase in cash and cash equivalents		**801,515**	568,230
Cash and cash equivalents as at 1 January		**1,705,633**	1,124,762
Effect of exchange rate changes on cash and cash equivalents		**5,577**	12,641
Cash and cash equivalents as at 31 December	38	**2,512,725**	1,705,633
Net cash flows from operating activities include:			
Interest received		**835,165**	774,945
Interest paid		**(509,898)**	(389,721)

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

I GENERAL INFORMATION

Agricultural Bank of China Limited (the "Bank") is the successor entity to the Agricultural Bank of China (the "Predecessor Entity") which was a wholly state-owned commercial bank approved for setup by the People's Bank of China (the "PBOC") and founded on 23 February 1979 in the People's Republic of China (the "PRC"). On 15 January 2009, the Bank was established after the completion of the financial restructuring of the Predecessor Entity. The Bank's establishment was authorized by the PBOC. The Bank was listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited on 15 July 2010 and 16 July 2010, respectively.

The Bank operates under financial services certificate No. B0002H111000001 issued by the National Financial Regulatory Administration (the former "China Banking and Insurance Regulatory Commission",the "NFRA"), and business license No. 911100001000054748 issued by Beijing Administration of Industry and Commerce. The registered office of the Bank is located at No. 69 Jianguomen Nei Avenue, Dongcheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively, the "Group") include Renminbi ("RMB") and foreign currency deposits, loans, clearing and settlement services, assets custodian services, fund management, financial leasing services, insurance services and other services as approved by relevant regulators, and the provision of related services by its overseas establishments as approved by the respective local regulators.

The head office and domestic branches of the Bank and its subsidiaries operating in Chinese mainland are referred to as the "Domestic Operations". Branches and subsidiaries registered and operating outside Chinese mainland are referred to as the "Overseas Operations".

II SUMMARY OF MATERIAL ACCOUNTING POLICIES

1 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance for this financial year and the comparative period.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of consideration given in exchange for assets and that is received (or in some circumstances the amount expected to be paid) with respect to liabilities.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note III.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

1 Basic of preparation (Continued)

1.1 Standards and amendments effective in 2023 relevant to and adopted by the Group

The Group has adopted the following IFRSs and amendments issued by the IASB that are first effective for the financial year ended 31 December 2023.

			Notes
(1)	IFRS 17	Insurance Contracts	(i)
(2)	Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	(ii)
(3)	Amendments to IAS 8	Definition of Accounting Estimates	(iii)
(4)	Amendments to IAS 12 (2021)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	(iv)
(5)	Amendments to IAS 12 (2023)	International Tax Reform — Pillar Two Model Rules	(v)

(i) IFRS 17: Insurance Contracts

IFRS 17, which replaces IFRS 4 Insurance Contracts, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The Group has implemented IFRS 17 with the transition date of 1 January 2023, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the Group's consolidated financial statements. The impacts of the adoption of IFRS 17 and its amendments are disclosed in Note II 1.3 Changes in material accounting policies.

(ii) Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

The amendments clarify that an entity will be required to disclose its "material" accounting policy information as opposed to "significant" accounting policies and provide additional guidance on how to identify material accounting policy information. The amendments to IFRS Practice Statement 2 provide additional guidance and examples to explain and illustrate the application of the "four-step materiality process" to accounting policy information. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

(iii) Amendments to IAS 8: Definition of Accounting Estimates

The amendments now define "accounting estimates" as "monetary amounts in financial statements that are subject to measurement uncertainty" and remove the definition of "a change in accounting estimate". The amendments also clarify that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates unless they result from the correction of prior period errors. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.1 Standards and amendments effective in 2023 relevant to and adopted by the Group (Continued)

(iv) Amendments to IAS 12 (2021): Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments specify how entities should account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition. As a result, entities will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

(v) Amendments to IAS 12 (2023): International Tax Reform — Pillar Two Model Rules

In accordance with IAS 12 as amended on 23 May 2023, the Group has applied the temporary mandatory exemption to the recognition and disclosure of income tax related to Pillar Two. As at 31 December 2023, some of the countries where the Group has subsidiaries have enacted Pillar Two legislation. As the new tax laws will take effect in 2024, the Group does not recognize any current tax relating to the Pillar Two legislation for the year ended 31 December 2023. The Group is evaluating the impact of the amendments on income tax for subsequent years.

1.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2023

The Group has not adopted the following new standards and amendments that have been issued by the IASB but are not yet effective.

			Effective for annual periods beginning on or after	Notes
(1)	Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024	(i)
(2)	Amendments to IAS 1 (2020)	Classification of Liabilities as Current or Non-current	1 January 2024	(ii)
(3)	Amendments to IAS 1 (2022)	Non-current Liabilities with Covenants	1 January 2024	(ii)
(4)	Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024	(iii)
(5)	Amendments to IAS 21	Lack of Exchangeability	1 January 2025	(iv)
(6)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The effective date has now been deferred indefinitely	(v)

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2023 (Continued)

(i) Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

The amendments add to the requirements explaining how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right-of-use it retains, including cases with variable lease payments in the leaseback. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(ii) Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

The amendments to IAS 1 (2020) concern the requirements on determining if a liability is current or non-current. In particular, the amendments specify the condition of an entity to classify a liability as non-current requires that a right to defer settlement must exist at the end of the reporting period and have substance, and clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement.

The amendments also specify the classification of liabilities that will or may be settled by issuing an entity's own equity instruments. When a liability includes a counterparty conversion option that involves a transfer of the entity's own equity instruments, the classification of such liability is not affected only when the conversion option is recognized separately from the host liability as an equity component under IAS 32.

The amendments to IAS 1 (2022) specify that only covenants with which an entity must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the entity must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, an entity is required to disclose information regarding the risk that the non-current liabilities subject to future covenants could become repayable within twelve months after the end of the reporting period.

The 2022 amendments defer the effective date of the 2020 amendments to annual reporting periods beginning on or after 1 January 2024. If an entity applies one of these two amendments for an earlier period, the other amendments should also be applied for that period.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(iii) Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements

The amendments introduce disclosure requirements to enhance transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2023 (Continued)

(iv) Amendments to IAS 21: Lack of Exchangeability

The amendments specify when a currency is exchangeable into another currency and when it is not, and how an entity determines a spot rate when a currency lacks exchangeability.

Under the amendments, entities are required to provide additional disclosures to help users evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(v) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

1.3 Changes in material accounting policies

The Group has implemented IFRS 17 (the "New Standards for Insurance Contracts") with the transition date of 1 January 2023, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the Group's consolidated financial statements. The Group did not early adopt the New Standards for Insurance Contracts in previous periods.

According to the transitional provisions of IFRS 17, the Group has retroactively adjusted equity as at 1 January 2022 for the cumulative impact of the accounting treatment inconsistency of insurance contracts prior to the transition date of 1 January 2023 and the provisions of the New Standards for Insurance Contracts, and adjusted the related reporting information of the financial statements for the comparative period. Besides, in order to coordinate with IFRS 17, the Group has reassessed the business model for managing related financial assets and redesignated some financial assets under the requirements of IFRS 17, and adjusted the cumulative impact of the reclassification and measurement of financial assets in the retained earnings and other components of equity as at 1 January 2023, without adjusting the information of comparative period.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.3 Changes in material accounting policies (Continued)

(i) The impact on the comparative period financial statements

The impact of implementing the New Standards for Insurance Contracts on the Group's net profit for the year ended 31 December 2022, and the impact on the opening and ending equity in the consolidated statement of changes in equity for the above period are summarized as follows:

	Net Profit for the year ended 31 December 2022	Equity as at 31 December 2022	Equity as at 1 January 2022
Before adjustment	258,688	2,674,451	2,421,359
Impact of New Standards for Insurance Contracts	178	(691)	(180)
Adjusted	258,866	2,673,760	2,421,179

(ii) The implementation of the New Standards for Insurance Contracts will adjust the impact of the reclassification and measurement of financial assets to retained earnings and other related financial statement items as at 1 January 2023. The impact on items of the consolidated statement of financial position of the Group as at 1 January 2023 is summarized as follows:

	31 December 2022	Adoption of IFRS 17	1 January 2023
	Before Reclassification	Amount Reclassed	After Reclassification
Assets			
Financial assets at fair value through profit or loss	522,057	(911)	521,146
Debt instrument investments at amortized cost	7,306,000	(18,354)	7,287,646
Other debt instrument and other equity investments at fair value through other comprehensive income	1,702,106	20,675	1,722,781
Liabilities			
Deferred tax liabilities	9	337	346
Equity			
Other comprehensive income	35,887	508	36,395
Retained earnings	1,033,403	39	1,033,442
Non-controlling interests	5,697	526	6,223

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2 Consolidation

Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiaries as well as structured entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date of acquisition or up to the date on which control ceases, respectively.

Adjustments are made to the financial statements of subsidiaries, where appropriate, to consistently reflect the accounting policies of the Group.

When merging, all intra-group transactions, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests of consolidated subsidiaries are presented separately from the controlling party's equity therein.

The carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Further, total comprehensive income of a subsidiary is attributed, based on the proportion of their respective holdings, to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost, less impairment losses, if any.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognized in the consolidated statement of profit or loss as incurred.

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognized at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 — Income Taxes and IAS 19 — Employee Benefits, respectively.

Non-controlling interests that represent ownership interests in the acquiree, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are accounted for at either fair value or the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

Goodwill

Goodwill represents the excess of the cost of an acquisition less the fair value of the Group's share of the net identifiable assets of acquired subsidiaries and associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") or groups of CGUs that is expected to benefit from the synergies of the business combination.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount, the deficit, reflecting an impairment loss, is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis, based on the carrying amount of each asset in the CGU. Any goodwill impairment loss is recognized directly in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Investment in associate and joint venture

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement through a separate entity, and have rights to the net assets of the arrangement based on legal form, contract terms, and other facts and circumstances. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control or joint control over those policy decisions. Joint control is the contractually agreed sharing of control over an activity, and exists only when the decisions relating to the activity require the unanimous consent of the Group and other parties sharing the control.

The post-acquisition profit or loss of an associate or a joint venture is incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate or a joint venture is initially recognized at cost and adjusted thereafter to recognize the Group's share of the net assets of the associate or joint venture. When the Group's share of loss of an associate or a joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further loss. Additional loss is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

At the end of each reporting period, the Group considers whether there are circumstances that indicate the possibility of impairment of the Group's investment in an associate or a joint venture; when that is the case, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 — Impairment of Assets, as a single asset by comparing its recoverable amount (the higher of fair value less costs to sell and value in use) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of an impairment loss is recognized in accordance with IAS 36, to the extent that the recoverable amount of the investment subsequently increases.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

Investment in associate and joint venture *(Continued)*

When an entity in the Group transacts with the Group's associate or joint venture, profits and losses resulting from the transaction are recognized in the Group's consolidated financial statements only to the extent of the interest in the associate or joint venture that are not related to the Group. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

3 Interest income and expenses

Interest income and expenses of financial instruments are calculated using the effective interest method and included in the current profit and loss.

The Group uses the effective interest method to calculate the interest income and expense of financial assets and liabilities measured at amortized cost or at fair value through other comprehensive income, presented as "interest income" and "interest expense" respectively. For specific accounting policies, please refer to the Note II 8.4 subsequent measurement of financial instruments.

4 Fee and commission income

Fee and commission income is recognized when the Group fulfills its performance obligation, either over time or at a point in time when a customer obtains control of the service.

For the performance obligations satisfied at a point in time, the Group recognizes revenue when control is passed to the customer at a certain point in time, including insurance agency fee, merchant acquiring service fee, settlement & clearing services and bond underwriting fee, etc. For the performance obligations satisfied over time, the Group recognizes revenue according to the progress toward satisfaction of the obligation over the time, including consultancy and advisory fee and custodian fee, etc.

5 Foreign currency translation

The functional currency of the Group's Domestic Operations is RMB. The presentation currency of the Group and the Bank is RMB.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in the consolidated statement of profit or loss in the period in which they arise, except for the following:

(i) exchange differences arising on a monetary item that forms part of the Bank's net investment in the Overseas Operations;

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

5 Foreign currency translation (Continued)

(ii) changes in the fair value of monetary assets denominated in foreign currency classified as financial investments at fair value through other comprehensive income are analyzed between translation differences resulting from changes in the amortized cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortized cost are recognized in the consolidated statement of profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's Overseas Operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the foreign currency translation reserve and non-controlling interests, as appropriate. The accumulated foreign currency translation reserve related to the Overseas Operations will be reclassified from equity to the consolidated statement of profit or loss on disposal of all or part of the Overseas Operations.

6 Taxation

Income tax comprises current and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

6 Taxation (Continued)

Deferred tax *(Continued)*

If a single transaction is not a business combination, neither accounting profit nor taxable income (or deductible loss) is affected at the time of the transaction, and the assets and liabilities initially recognized do not result in an equal amount of taxable temporary differences and deductible temporary differences, then the temporary differences arising from the transaction will not generate deferred tax. The temporary differences resulting from the initial recognition of goodwill also do not generate the associated deferred tax.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that the temporary difference will not reverse in the foreseeable future or it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Value-added Taxes ("VAT")

The Group mainly provides financial services such as loan services, direct-charge financial services, insurance services and transfer of financial commodities, which are subject to the VAT rate of 6%. For other services, VAT is calculated and paid in accordance with the tax rates stipulated in the tax law.

Pursuant to the "Circular of the Ministry of Finance and the State Administration of Taxation on Further Clarification of Relevant Policies Applicable to the Financial Sector in the Comprehensive Implementation of the VAT Pilot Programs" (Cai Shui [2016] No. 46), the Bank elected to adopt a simplified methodology to calculate VAT at 3% on interest income derived from loans granted to farming households, rural enterprises and other rural institutions by county-level sub-branches included in the Bank's pilot programs of the County Area Banking Division, including those under the Bank's provincial branches in provinces, autonomous regions, municipalities directly under the central government and municipalities with independent budgetary status as well as those under the Xinjiang Production and Construction Corps Branch.

In accordance with the Ministry of Finance (the "MOF") and the State Administration of Taxation's "Circular regarding the Value-added Taxes Policies for Financial, Real Estate Development and Education Ancillary and Other Services" (Cai Shui [2016] No. 140), the "Supplementary Circular regarding Issues concerning Value-added Taxes Policies for Asset Management Products" (Cai Shui [2017] No. 2) and the "Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products" (Cai Shui [2017] No. 56), the Group shall pay VAT at 3% for taxable asset management activities undertaken after 1 January 2018.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

7 Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditure incurred by the Group in exchange for services rendered by employees or for termination of the employment contracts. These benefits include short-term employee benefits, post-employment benefits and early retirement benefits.

Short-term employee benefits

Short-term employee benefits include salaries, bonuses, allowances and subsidies, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds as well as labor union fees and staff education expenses. In the reporting period in which an employee has rendered services, the Group recognizes the short-term employee benefits payable for those services as a liability with a corresponding increase in the expenses in the consolidated statement of profit or loss or capitalization as cost of related assets.

Post-employment benefits

The Group's post-employment benefits are primarily the payments for basic pensions and unemployment insurance related to government mandated social welfare programs, as well as the annuity scheme established. All these post-employment benefits are defined contribution plans, under which, the Group makes fixed contributions into a separate fund and will have no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods.

Contributions to the basic pensions and unemployment insurance plan are recognized in the consolidated statement of profit or loss for the period or capitalization as cost of related assets in which the related payment obligation is incurred.

The employees of the Bank's head office and domestic branches ("Domestic Institutions") participate in an annuity scheme established by the Bank (the "Annuity Scheme"). The Bank pays annuity contributions with reference to employees' salaries, and such contributions are expensed in the consolidated statement of profit or loss or capitalized as cost of related assets when incurred. Except for the fixed contribution into the Annuity Scheme, the Bank has no further obligation if the Annuity Scheme does not have sufficient assets for the payment of any retirement benefits to employees funded by the Annuity Scheme.

Early retirement benefits

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date, as approved by management. The related benefit payments are made from the date of early retirement to the normal retirement date.

The accounting treatment of the Group's early retirement benefits is in accordance with termination benefits as determined in IAS 19. The liability is recognized for the early retirement benefit payments from the date of early retirement to the normal retirement date when the criteria for recognition as termination benefit is met with a corresponding charge in the consolidated statement of profit or loss. Differences arising from changes in assumptions and adjustments of the standards of benefits are recognized in the consolidated statement of profit or loss when incurred.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8 Financial instruments

8.1 Initial recognition, classification and measurement of financial instruments

Financial assets or financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

For purchases or sales of financial assets in a regular way, the related assets and liabilities are recognized or sold assets are derecognized at the trade date, along with the recognition of gains or losses on disposal and the receivables due from the buyer. The trade date is the date on which the Group commits to purchase or sell the financial asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. For other classes of financial assets or financial liabilities, the relevant transaction costs are included in the initial recognized value.

(1) Financial assets

Financial assets are classified in the following measurement categories based on the Group's business model for managing the assets and the cash flow characteristics of the assets:

(i) Amortized cost ("AC");

(ii) Fair value through other comprehensive income ("FVOCI"); or

(iii) Fair value through profit or loss ("FVPL").

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the group of asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes consideration for the time value of money, credit risk associated with the principal amount outstanding during a particular period of time, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.1 Initial recognition, classification and measurement of financial instruments (Continued)

(1) Financial assets (Continued)

The classification requirements for debt instruments and equity instruments in the Group are described as below:

Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds. Classification and measurement of debt instruments depend on the Group's business models for managing the asset and the cash flow characteristics of the asset.

Based on these factors, the debt instruments of the Group are classified into three categories below:

(i) AC: Debt instruments that are held within a business model whose objective is to hold assets to collect contractual cash flows; and contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and that are not designated as at FVPL, are measured at amortized cost.

(ii) FVOCI: Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and that are not designated as at FVPL, are measured at FVOCI.

(iii) FVPL: All financial assets not classified as measured at AC or FVOCI as described above are measured at FVPL.

The Group may also irrevocably designate financial assets as at FVPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective referring to Note II 8.9, and examples of equity instruments include basic ordinary shares. The Group subsequently measures all equity investments at FVPL, except for the equity investment not held for trading where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment as at FVOCI.

(2) Financial liabilities

The Group's financial liabilities are classified into financial liabilities at FVPL and other financial liabilities carried at amortized cost on initial recognition. Financial liabilities at FVPL is applied to derivatives, financial liabilities held for trading and financial liabilities designated as such at initial recognition.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.1 Initial recognition, classification and measurement of financial instruments (Continued)

(2) Financial liabilities (Continued)

The Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either:

(i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel.

Once the designation is made, it shall not be revoked.

Financial liabilities arising from the transfer of financial assets which do not qualify for derecognition, if the enterprise retains substantially all the risks and rewards of the ownership of the transferred financial asset and does not qualified for derecognition, the Group shall continue to recognize the transferred financial asset in its entirety and recognize a financial liability for the consideration received. In applying the continued involvement approach of accounting, please refer to the Note II 8.7 Derecognition of financial assets for the measurement of the transferred liability.

8.2 Reclassification of financial assets

When the Group changes the business model for managing its financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

8.3 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. Active market is a place in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. In an active market, the quoted prices of relevant assets or liabilities should be readily and regularly available from exchanges, dealers, brokers, industry groups, pricing institutions or regulatory institutions by the enterprise. The current market may not be active when there is a significant decline in the volume of transaction or level of activity, price quotations vary substantially either over time or among market-makers and current prices are not available. For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, fair value of other financial instruments that are substantially the same, discounted cash flow analysis, option pricing models and other techniques commonly used by market participants. When measuring the asset or liability at fair value, the Group shall use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value, select inputs that are consistent with the characteristics of the asset or liability that market participants would take into account in a transaction for the asset or liability. These valuation techniques include the use of observable and/or unobservable inputs, and observable inputs are preferred.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.4 Subsequent measurement of financial instruments

Subsequent measurement of financial instruments depends on the categories:

(1) Financial assets and liabilities measured at amortized cost

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount; (iii) for financial assets, adjusted for any loss allowance. Interest income and interest expenses from these financial assets and liabilities are included in "interest income" and "interest expense" using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses ("ECL") but includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ("POCI") financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is included in "interest income", except for:

(i) POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost; and

(ii) financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss allowance). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

(2) Financial assets at fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue calculated by using the effective interest method and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in "interest income" using the effective interest method.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.4 Subsequent measurement of financial instruments (Continued)

(2) Financial assets at fair value through other comprehensive income (Continued)

Equity instruments

The equity instrument investments that are not held for trading are designated as FVOCI. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as investment income when the Group's right to receive payments is established. Other net gains or losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(3) Financial assets at fair value through profit or loss

The financial asset is measured at fair value and net gains or losses are recognized in profit or loss of the current period.

(4) Financial liabilities at fair value through profit or loss

Financial liabilities at FVPL are measured at fair value with all gains or losses recognized in profit or loss of the current period, except for financial liabilities designated as at fair value through profit or loss, where gains or losses on the financial liabilities are treated as follows:

(i) changes in fair value of such financial liabilities due to changes in the Group's own credit risk are recognized in other comprehensive income; and

(ii) other changes in fair value of such financial liabilities are recognized in profit or loss of the current period. If the accounting of changes in the credit risk of the financial liabilities in accordance with (i) will create or enlarge accounting mismatches in profit or loss, the Group recognizes all gains or losses on such financial liabilities (including amounts arising from changes in its own credit risk) in the profit or loss of the current period.

When the liabilities designated as at fair value through profit or loss is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to retained earnings.

8.5 Impairment of financial instruments

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI and exposures arising from some loan commitments and financial guarantee contracts.

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, which are all cash shortfalls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.5 Impairment of financial instruments (Continued)

The Group measures ECL of a financial instrument reflecting:

(i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(ii) the time value of money; and

(iii) 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.

For financial instruments whose impairment losses are measured using the ECL models, the Group applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

— Stage I: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in Stage I.

— Stage II: If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is moved to Stage II. The description of how the Group determines when a significant increase in credit risk has occurred is disclosed in Note IV 44.1.

— Stage III: If the financial instrument is credit-impaired, the financial instrument is then moved to Stage III. The definition of credit-impaired financial assets is disclosed in Note IV 44.1.

Financial instruments in Stage I have their ECL measured at an amount equivalent to the ECL of the financial asset for the next 12 months ("12 months ECL"). Financial instruments in Stage II or Stage III have their ECL measured at an amount equivalent to the ECL over the lifetime of the financial instruments ("Lifetime ECL"). The description of inputs, assumptions and estimation techniques used in measuring the ECL is disclosed in Note IV 44.1.

For accounts receivable, lease receivables and contract assets, the Group always recognize lifetime expected credit losses. The Group uses provision matrix based on its historical credit loss experience for above-mentioned financial assets to estimate ECLs. The historical credit experience is appropriately adjusted to reflect the specific factors of borrowers, current events and forecast future conditions as at reporting date.

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognized in other comprehensive income and the impairment loss is recognized in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

If the Group has measured the loss allowance for a financial instrument other than POCI at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the financial instrument is no longer regarded as experiencing a significant increase in credit risk since initial recognition, the Group measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date and the amount of expected credit losses reversal is recognized in profit or loss. For POCI financial assets, at the reporting date, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.6 Modification of contracts

The Group sometimes renegotiates or otherwise modifies contracts, resulting in a change to the contractual cash flows. When this happens, the Group assesses whether the new terms are substantially different to the original terms.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

8.7 Derecognition of financial assets

Financial asset is derecognized when one of the following conditions is met: (i) the Group's contractual rights to the cash flows from the financial asset expire; (ii) the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or (iii) the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

The financial asset has been transferred, if the Group neither transfers nor retains substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset, whereby the related liability is recognized accordingly.

On derecognition of a financial asset in its entirety, the difference between the sum of the consideration received for the part derecognized any cumulative amount of fair value recognized in other comprehensive income (if the transfer involves any other debt instrument investments measured at fair value through other comprehensive income) and the carrying amount allocated to the part derecognized on the date of derecognition shall be included in profit and loss for the current period.

8.8 Derecognition of financial liabilities

A financial liability is removed when the obligation specified in the contract is discharged or cancelled or expires in whole or in part. An exchange between the Group and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.9 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met: (i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and (ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Preference shares and perpetual bonds issued by the Group that should be classified as equity instruments are recognized in equity based on the actual amount received.

8.10 Derivative financial instruments and hedge accounting

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of the reporting period. The changes in fair value are recognized in profit or loss.

The Group accounts for hedge businesses that are eligible and choose to use hedge accounting in accordance with applicable accounting standards. The Group documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, 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.

(a) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized 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 or other comprehensive income.

The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in profit or loss or other comprehensive income, together with the changes in fair value of the hedged item attributable to the hedged risk.

Any adjustment of the carrying amount arising from the recognition of hedging gains or losses of the hedged item shall be amortized to profit or loss if the hedged item is a financial instrument measured at amortized cost.

The Group discontinues fair value hedge accounting when the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised. If the hedged items are derecognized, the unamortized adjustment of the carrying amount is recognized in profit or loss.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.10 Derivative financial instruments and hedge accounting (Continued)

(b) 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 recognized asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction that could ultimately affect the profit or loss.

The effective portion of the net gains and losses of hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in equity in the "other comprehensive income". The ineffective portion is recognized immediately in the profit or loss.

Amounts accumulated in other comprehensive income are reclassified to the profit or loss in the same periods when the hedged item affects the profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized in the periods when the hedged item affects profit or loss. When the hedged future cash flows are no longer expected to occur (for example, the recognized hedged asset is disposed of), the cumulative gain or loss previously recognized in other comprehensive income is immediately reclassified to profit or loss.

8.11 Embedded derivative financial instruments

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

(i) Their economic characteristics and risks are not closely related to those of the host contract;

(ii) A separate instrument with the same terms would meet the definition of a derivative; and

(iii) The hybrid contract is not measured at fair value through profit or loss.

Where an embedded derivative is separated from a hybrid contract, the Group accounts for the host contract of the hybrid contract in accordance with the applicable accounting standards. Where the fair value of the embedded derivative is unable to be reliably measured on the basis of the terms and conditions, the fair value of the embedded derivative is determined as the difference between the fair value of the hybrid contract and the fair value of the host contract. If, after using the above method, the fair value of the embedded derivative at the acquisition date or at the end of a subsequent financial reporting period is still unable to separately measured, the Group designates the entire hybrid contract as a fair value through profit or loss.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.12 Offsetting financial assets and financial liabilities

When the Group has a legal right to set off the recognized amounts and the legal right is currently enforceable, and the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position. Otherwise, financial assets and liabilities shall be settled respectively but not offset each other. The legally enforceable right of set-off must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

8.13 Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognized. They continue to be recorded as investments classified as financial assets before sale or loan. The corresponding liability is included in financial assets sold under repurchase agreements. The items which are not derecognized are disclosed in Note IV 42 Contingent liabilities and commitments — Collateral.

Consideration paid for financial assets held under agreements to resell are recorded as financial assets held under resale agreements, the related financial assets accepted is not recognized in the consolidated statement of financial position (Note IV 42 Contingent liabilities and commitments — Collateral).

The difference between the purchase and sale price is recognized as gain or loss in profit or loss of the current period using the effective interest method.

9 Insurance contracts

Level of aggregation

Insurance contracts and investment contracts with DPF are aggregated into groups for measuring purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Each portfolio is divided into annual cohorts (i.e. by year of issue) and contracts in different product lines are expected to be in different groups. Each annual cohorts are divided into three groups:

- Any contracts that onerous on initial recognition;
- Any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- Any remaining contracts in the annual cohort.

When a contract is recognized, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group in which future contracts may be added.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

9 Insurance contracts (Continued)

Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the Group.

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and investment services).

For investment contracts with DPF, the cash flows are within the contract boundary if they result from a substantive obligation of the Group to deliver cash at a present or future date.

Measurement — Insurance contracts and investment contracts with DPF

On initial recognition, the Group measures a group of contracts as the total of (a) fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM. The fulfilment cash flows of a group of contracts do not reflect the Group's non-performance risk.

Subsequently, the carrying amount of a group of contracts at each reporting date is the sum of the liability of remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the Group belongs. Insurance acquisition cash flows are allocated to groups of contracts using systematic and rational methods based on the total premiums of each group.

Insurance acquisition cash flows that arise before the recognition of the related contracts are recognized as separate assets and tested for recoverability, whereas other insurance acquisition cash flows are included in the estimate of the present value of future cash flows as part of the measurement of the related contracts.

10 Precious metals

Precious metals comprise gold, silver and other precious metals.

Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realizable value. Precious metals that are related to the Group's trading activities are initially recognized at fair value and subsequent changes in fair value are recognized in profit or loss.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

11 Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress) are presented in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property and equipment.

Subsequent expenditure incurred for the property and equipment (other than construction in progress) is included in the cost of the property and equipment (other than construction in progress) if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured, and the carrying amount of the replaced part is derecognized. Other subsequent expenditure is recognized in profit or loss in the period in which it is incurred.

Depreciation is recognized as a component of operating expenses in the consolidated statement of profit or loss so as to recognize the consumption of the economic value of property and equipment (other than construction in progress), less their estimated residual values, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation rates are reviewed at the end of each reporting period.

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

Classes	Useful lives	Estimated residual value rates	Annual depreciation rates
Buildings	5–50 years	3%	1.94%–19.40%
Machinery and equipment	3–11 years	3%	8.82%–32.33%
Motor vehicles	5–8 years	3%	12.13%–19.40%

Properties in the course of construction for supply of services or administrative purposes are carried at cost, as construction in progress, less any impairment loss. Buildings, machinery and equipment under construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its continued use. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in other operating income or operating expenses in the consolidated statement of profit or loss. The accounting policies of impairment of property and equipment are included in Note II 17 Impairment of non-financial assets other than goodwill.

12 Land use rights

Land use rights are classified in other assets and amortized over a straight-line basis over their authorized useful lives.

13 Foreclosed assets

The Group initially recognizes at fair value the foreclosed financial assets. Non-financial foreclosed assets are initially recognized at the fair value of the rights given up by creditors and other costs such as taxes directly attributable to the asset.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

13 Foreclosed assets (Continued)

When the debtor pays off the debts with multiple assets or in form of restructuring arrangement, the Group firstly recognizes and measures the foreclosed financial assets and restructured rights according to provision illustrated in Note II 8.1 Initial recognition, classification and measurement of financial instruments. The net amount, of the fair value of the rights given up by creditor deducted the initial amount recognized for the transferred financial assets and restructured rights, should be distributed in accordance with the proportion of the fair value of each non-financial asset. The distributed amount should be recognized as the initial book value of each non-financial foreclosed assets.

The difference between the fair value and book value of the rights given up by creditor is recorded in profit and loss.

14 Investment property

Investment property is property held to earn rental income or for capital appreciation, or both.

Investment properties are measured using the cost model. Depreciation and amortization is recognized the same way as property and equipment and land use rights. Subsequent expenditure incurred for the investment property is included in the cost of the investment property if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured reliably. Other subsequent expenditure is recognized in profit or loss in the period in which it is incurred.

The accounting policies of impairment of investment property are included in Note II 17 Impairment of non-financial assets other than goodwill.

Where an impairment loss subsequently reverses, the carrying amount of the investment property is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognized. A reversal of an impairment loss is recognized in profit or loss.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal, net of the carrying amount and related taxes, in profit or loss.

15 Leasing

Lease is a contract or part of a contract that conveys the right to use an asset for a period of time in exchange for consideration.

The Group as lessee

The Group recognized the right-of-use assets at the commencement date, and recognized the lease liabilities at the present value of the outstanding lease payments. Lease payments include fixed payments, the amounts expected to be payable by the Group if the Group is reasonably certain to exercise a purchase option or an option to terminate the lease. Variable lease payments not included in the measurement of the lease liability are recognized as an expense in profit or loss when incurred.

The right-of-use assets of the Group are measured at costs, which include the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date, any initial direct costs and less any lease incentives received. If the Group could reasonably determine the ownership of the leased asset when the lease term expires, the right-of-use assets are depreciated over the asset's remaining useful life. Otherwise, the right-of-use assets are depreciated over the shorter period of the asset's useful life and the lease term on a straight-line basis. When the recoverable costs of right-of-use assets are lower than the carrying amount, the value of right-of-use assets will be decreased down to the recoverable costs.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

15 Leasing (Continued)

The Group as lessee *(Continued)*

The Group chooses not to recognize the right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and the rental expenses are recognized as expense in profit or loss on a straight-line basis over each period of the lease term. Short-term leases are leases with a lease term of 12 months or less. Leases of low value assets are the underlying assets are of low value when new.

The Group as lessor

When the Group is the lessor in a finance lease, a finance lease receivable as an amount equal to the net lease investment is recognized and the finance lease asset is derecognized at the commencement date. The finance lease receivables are recorded in the consolidated statement of financial position as loans and advances to customers.

When the Group is the lessor in an operating lease, rental income from operating leases is recognized as other operating income in the consolidated statement of profit or loss on a straight-line basis over the term of the related lease. The initial direct costs are included in the carrying amount of the underlying assets and is recognized as expenses over the lease term on the same basis as the lease income.

16 Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment loss. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives which generally range from 5 to 20 years.

Intangible assets with indefinite useful lives are not amortized, but are subject to annual impairment assessment.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss.

Expenditure incurred for an internal research and development project is recorded as expenditure on the research phase and development phase by the Group, respectively. The classification criterion is the submission of Project Plan (Definition of project objectives). Projects with incomplete submissions are in the research phase and those with completed submissions are in the development phase. Expenditure on the research phase is recognized in profit or loss for the period in which it occurs. Expenditure on the development phase is capitalized only when the following conditions are satisfied:

(1) It is technically feasible to complete the intangible asset so that it will be available for use or sale;

(2) The Group intends to complete the intangible asset and use or sell it;

(3) The Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

16 Intangible assets (Continued)

(4) There are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;

(5) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

Expenditure on the development phase which does not satisfy all of the above conditions is recognized in profit or loss in the period in which it is incurred.

The Group capitalizes eligible projects in accordance with relevant regulations. The scope of capitalized research and development expenditure includes capitalized staff costs and outsourcing service fees generated during the development phase of research and development projects that satisfy capitalization conditions. Among which, capitalized staff costs refer to the salary and employee benefits of own staff generated during the development phase of research and development projects that satisfy capitalization conditions. The salary and employee benefits mainly include salaries, employee benefits, labor insurance, housing funds, and annuity scheme, etc.

17 Impairment of non-financial assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated statement of profit or loss.

18 Cash and cash equivalents

Cash and cash equivalents are short-term and highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents include cash and assets with original maturity of three months or less under cash and balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

19 Dividend distribution

Dividend distribution to the Bank's ordinary equity holders is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the annual general meeting of the Bank.

As authorized by the annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. Preference share dividend distribution is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the Board of Directors of the Bank.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

20 Contingent liabilities and provisions

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

21 Fiduciary activities

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with custody agreements between the Group and securities investment funds, social security funds, insurance companies, trust companies, qualified foreign institutional investors, annuity schemes and other institutions and individuals. The Group receives fees in return for its services provided under the custody agreements and does not have any interest in the economic risks and rewards related to assets under custody. Assets under custody are not recognized in the Group's consolidated statement of financial position.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the loan object, purpose, amount, interest rate and repayment plan determined by the principal. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered and does not assume the economic risks and rewards of the entrusted loans. The entrusted loans and funding for entrusted funds are not recognized in the Group's consolidated statement of financial position.

22 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 incurred because a specified debtor fails to make payment when due, in accordance with the original or revised terms of a debt instrument.

Financial guarantees are initially recognized 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 amortization of guarantee fees, and the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is recognized in profit or loss.

The impairment allowance of loan commitments provided by the Group is measured using ECL models. 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.

II SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

22 Financial guarantee contracts and loan commitments (Continued)

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognized as a provision.

23 Related parties

The Group determines the Group's related parties in accordance with IFRSs and other relevant provisions.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in Note II, management is required to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities. The judgements, estimates and related assumptions are based on historical experience and other relevant factors including reasonable expectations for future events.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods as appropriate.

The following are the critical judgements and key estimates management has made in the process of applying the Group's accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

1 Classification of financial assets

The critical judgements the Group has made in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows.

The Group determines the business model for managing financial assets at the level of financial asset portfolio. The factors considered include how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

When assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group has the following main judgements: whether the principal may be subject to change in the duration or amount of money due to prepayments during the duration; whether interests only included time value of money, credit risk, other basic borrowing risks, and considerations for costs and profits. For example, whether the amount paid in advance reflect only the outstanding principal and interest on the outstanding principal, as well as reasonable compensation for early termination of the contract.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

2 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI and for exposures arising from some loan commitments and financial guarantee contracts, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note IV 44.1 Credit risk.

3 Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models. To the extent practical, market observable inputs and data, such as interest rate yield curves, foreign currency rates and implied option volatilities, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, liquidity, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

With respect to PRC government obligations related to large-scale policy directed financing transactions, fair value is determined using the stated terms of the related instrument and with reference to terms determined by the PRC government in similar transactions engaged in or directed by the PRC government. In this regard, there are no other relevant market prices or yields reflecting arm's length transactions of a comparable size and tenor.

4 Deferred taxes

There are certain transactions and activities in the ordinary course of the Group's business for which the ultimate tax effect is uncertain. The Group made certain estimation and judgement for items of uncertainty in the application of tax legislations, taking into account existing tax legislation and past practice of tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will affect the current income tax, deferred income tax and VAT during the period in which such a determination is made.

5 Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgement on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned as the asset manager, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

6 Derecognition of financial assets transferred

In its normal course of business, the Group transfers its financial assets through various types of transactions including regular way sales and transfers, securitization, financial assets sold under repurchase agreements, securities lending. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial derecognition.

Where the Group enters into structured transactions by which it transfers financial assets to structured entities, the Group analyzes whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities. This will determine whether the following derecognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets are transferred.

The Group analyzes the contractual rights and obligations in connection with such transfers to determine whether the derecognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualifies for the "pass through" of those cash flows to independent third parties.
- the extent to which the associated risks and rewards of ownership of the financial assets are transferred. Significant judgement is applied in the Group's estimation with regard to the cash flows before and after the transfers and other factors that affect the outcomes of Group's assessment on the extent that risks and rewards are transferred.
- where the Group has neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyzes whether it has relinquished its controls over these financial assets by assessing whether the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, and if the Group has continuing involvement in these transferred financial assets. Where the Group has not retained control, it derecognizes these financial assets and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer. Otherwise, the Group continues to recognize these financial assets to the extent of its continuing involvement in the financial assets.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 NET INTEREST INCOME

	Year ended 31 December	
	2023	2022
Interest income		
Loans and advances to customers	**808,672**	761,744
Including: Corporate loans and advances	**474,171**	417,978
Personal loans and advances	**334,501**	343,766
Financial investments		
Debt instrument investments at amortized cost	**255,838**	231,114
Other debt instrument investments at fair value through other comprehensive income	**52,328**	46,443
Balances with central banks	**39,341**	34,494
Placements with and loans to banks and other financial institutions	**18,774**	9,853
Financial assets held under resale agreements	**28,462**	16,672
Deposits with banks and other financial institutions	**20,283**	8,144
Subtotal	**1,223,698**	1,108,464
Interest expense		
Due to customers	**(475,534)**	(388,546)
Deposits from banks and other financial institutions	**(71,337)**	(52,582)
Debt securities issued	**(59,548)**	(45,140)
Borrowings from central banks	**(26,459)**	(24,944)
Placements from banks and other financial institutions	**(16,571)**	(6,776)
Financial assets sold under repurchase agreements	**(2,499)**	(593)
Subtotal	**(651,948)**	(518,581)
Net interest income	**571,750**	589,883

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 NET FEE AND COMMISSION INCOME

	Year ended 31 December	
	2023	2022
Fee and commission income		
Electronic banking services	**27,459**	26,772
Agency services	**20,438**	23,965
Bank cards	**16,307**	15,760
Consultancy and advisory services	**13,337**	11,979
Settlement and clearing services	**10,796**	10,296
Custodian and other fiduciary services	**4,078**	4,308
Credit commitment	**1,793**	1,979
Others	**502**	459
Subtotal	**94,710**	95,518
Fee and commission expense		
Bank cards	**(9,129)**	(8,573)
Electronic banking services	**(3,360)**	(3,386)
Settlement and clearing services	**(1,321)**	(1,391)
Others	**(807)**	(886)
Subtotal	**(14,617)**	(14,236)
Net fee and commission income	**80,093**	81,282

3 NET TRADING GAIN

		Year ended 31 December	
	Note	**2023**	2022
Net gain on debt instruments held for trading		**6,510**	13,244
Net gain on precious metals	(i)	**5,597**	3,623
Net gain/(loss) on foreign exchange rate derivatives		**10,295**	(11,050)
Net gain on interest rate derivatives		**1,599**	516
Others		**(877)**	(814)
Total		**23,124**	5,519

(i) Net gain on precious metals consists of net gain on precious metals and precious metal related derivative products.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4 NET GAIN ON FINANCIAL INVESTMENTS

	Note	Year ended 31 December 2023	2022
Net gain on debt instruments designated as at FVPL		**108**	5
Net gain on other debt instruments and equity investments measured at FVPL		**16,046**	6,040
Net loss on financial liabilities designated as at FVPL	(i)	**(422)**	(643)
Net gain on other debt instrument and other equity investments measured at FVOCI		**2,635**	859
Others		**(1,603)**	(352)
Total		**16,764**	5,909

(i) Net loss on financial liabilities designated as at FVPL consists of the payable amount upon the maturity of structured deposits designated at FVPL.

5 OTHER OPERATING INCOME

	Year ended 31 December 2023	2022
Insurance premium	**3,258**	2,841
Net (loss)/gain on foreign exchange	**(5,467)**	5,613
Rental income	**1,371**	1,241
Gain on disposal of property and equipment	**1,037**	900
Government grant	**1,317**	797
Others	**1,183**	1,138
Total	**2,699**	12,530

6 OPERATING EXPENSES

	Notes	Year ended 31 December 2023	2022
Staff costs	(1)	**151,628**	145,641
General operating and administrative expenses	(2)	**62,047**	61,554
Insurance benefits and claims		**6,128**	5,758
Depreciation and amortization		**21,621**	20,745
Tax and surcharges	(3)	**7,260**	6,525
Others		**3,621**	3,348
Total		**252,305**	243,571

In 2023, the Group's research and development expenses amounted to RMB3,722 million (2022: RMB3,242 million).

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6 OPERATING EXPENSES (Continued)

(1) Staff costs

	Year ended 31 December	
	2023	2022
Short-term employee benefits		
Salaries, bonuses, allowances and subsidies	**100,620**	95,362
Housing funds	**10,151**	9,673
Social insurance	**6,344**	5,977
Including: Medical insurance	**5,987**	5,634
Maternity insurance	**186**	180
Employment injury insurance	**171**	163
Labor union fees and staff education expenses	**3,858**	4,283
Others	**10,515**	11,316
Subtotal	**131,488**	126,611
Defined contribution benefits	**20,127**	18,992
Early retirement benefits	**13**	38
Total	**151,628**	145,641

(2) Included in general operating and administrative expenses is auditor's remuneration of RMB117 million for the year, consisting of RMB112 million for financial statements audit service and RMB5 million for non-audit professional service (2022: RMB110 million for the year, consisting of RMB108 million for financial statements audit service and RMB2 million for non-audit professional service).

(3) City construction and maintenance tax is calculated at 1%, 5% or 7% of VAT and sales taxes for the Group's Domestic Operations.

Education surcharge is calculated at 3%, while local education surcharge is calculated at 2% of VAT and sales taxes for the Group's Domestic Operations.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 BENEFITS AND INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) *Details of the Directors', Supervisors' and Senior Management's emoluments are as follows (in thousands of RMB):*

		Year ended 31 December 2023				
Item	**Notes**	**Fees**	**Basic salaries and allowances**	**Contribution to retirement benefit schemes**	**Other benefits in kind (x)**	**Total**
Executive Directors						
Gu Shu		–	673	136	89	898
Zhang Xuguang		–	605	128	91	824
Lin Li		–	605	128	91	824
Independent Non-Executive Directors						
Huang Zhenzhong		380	–	–	–	380
LEUNG KO May Yee, Margaret		380	–	–	–	380
Liu Shouying		380	–	–	–	380
Wu Liansheng		380	–	–	–	380
Wang Changyun		360	–	–	–	360
Non-Executive Directors						
Zhou Ji		–	–	–	–	–
Li Wei		–	–	–	–	–
Liu Xiaopeng		–	–	–	–	–
Xiao Xiang		–	–	–	–	–
Zhang Qi		–	–	–	–	–
Supervisors						
Deng Lijuan		–	–	–	–	–
Huang Tao		50	–	–	–	50
Wang Xuejun		50	–	–	–	50
Liu Hongxia		300	–	–	–	300
Xu Xianglin		330	–	–	–	330
Wang Xixin		280	–	–	–	280
Senior Management						
Xu Han		–	605	133	94	832
Liu Jiawang		–	605	128	90	823
Liu Hong	(i)	–	252	55	39	346
Wu Gang	(ii)	–	516	112	46	674
Executive Director resigned						
Fu Wanjun	(iii)	–	673	136	89	898
Non-Executive Directors resigned						
Liao Luming	(iv)	–	–	–	–	–
Supervisors resigned						
Wang Jingdong	(v)	–	112	12	8	132
Wu Gang	(vi)	17	–	–	–	17
Senior Management resigned						
Zhang Yi	(vii)	–	101	21	14	136
Li Zhicheng	(viii)	–	172	32	12	216
Han Guoqiang	(ix)	–	1,031	226	90	1,347
Total		**2,907**	**5,950**	**1,247**	**753**	**10,857**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 BENEFITS AND INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(1) *Details of the Directors', Supervisors' and Senior Management's emoluments are as follows (in thousands of RMB): (Continued)*

(i) Liu Hong was elected Executive Vice President effective 21 August 2023.

(ii) Wu Gang was elected Chief Risk Officer effective 1 June 2023.

(iii) Fu Wanjun ceased to be Vice Chairman of the Board of Directors and Executive Director and Executive President effective 26 December 2023.

(iv) Liao Luming ceased to be Non-Executive Director effective 28 September 2023.

(v) Wang Jingdong ceased to be Chairman of the Board of Supervisors and Supervisor of the Shareholders Representative effective 7 February 2023.

(vi) Wu Gang ceased to be Supervisor Representing Employees effective 25 April 2023.

(vii) Zhang Yi ceased to be Executive Vice President effective 21 March 2023.

(viii) Li Zhicheng ceased to be Chief Risk Officer effective 28 February 2023.

(ix) Han Guoqiang ceased to be Secretary of the Board of Directors and the company secretary effective 26 December 2023.

(x) Other benefits in kind include 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 allowances or the prescribed upper limits as required by the relevant regulations issued by the government authorities.

The total compensation packages for the above Directors, Supervisors and Senior Management for the year ended 31 December 2023 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC at the date of this consolidated financial statements. The final compensation will be disclosed in a separate announcement when determined.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 BENEFITS AND INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(1) *Details of the Directors', Supervisors' and Senior Management's emoluments are as follows (in thousands of RMB): (Continued)*

		Year ended 31 December 2022 (Restated)				
Item	Notes	Fees	Basic salaries and allowances	Contribution to retirement benefit schemes	Other benefits in kind (xv)	Total
Executive Directors						
Gu Shu		–	901	155	86	1,142
Fu Wanjun	(i)	–	75	11	8	94
Zhang Xuguang		–	811	143	86	1,040
Lin Li		–	811	143	86	1,040
Independent Non-Executive Directors						
Huang Zhenzhong		380	–	–	–	380
LEUNG KO May Yee, Margaret		380	–	–	–	380
Liu Shouying		361	–	–	–	361
Wu Liansheng		380	–	–	–	380
Wang Changyun	(ii)	10	–	–	–	10
Non-Executive Directors						
Liao Luming		–	–	–	–	–
Li Wei		–	–	–	–	–
Zhou Ji		–	–	–	–	–
Liu Xiaopeng		–	–	–	–	–
Xiao Xiang		–	–	–	–	–
Zhang Qi	(iii)	–	–	–	–	–
Supervisors						
Deng Lijuan	(iv)	–	–	–	–	–
Wu Gang		50	–	–	–	50
Huang Tao		50	–	–	–	50
Wang Xuejun	(v)	29	–	–	–	29
Liu Hongxia		300	–	–	–	300
Xu Xianglin		330	–	–	–	330
Wang Xixin		280	–	–	–	280
Senior Management						
Xu Han		–	811	133	90	1,034
Liu Jiawang	(vi)	–	203	51	22	276
Han Guoqiang		–	1,989	206	85	2,280

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 BENEFITS AND INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(1) *Details of the Directors', Supervisors' and Senior Management's emoluments are as follows (in thousands of RMB): (Continued)*

		Year ended 31 December 2022 (Restated)				
Item	Notes	Fees	Basic salaries and allowances	Contribution to retirement benefit schemes	Other benefits in kind (xv)	Total
Executive Director resigned						
Zhang Qingsong	(vii)	–	601	108	55	764
Non-Executive Directors resigned						
Wang Xinxin	(viii)	399	–	–	–	399
Supervisors resigned						
Wang Jingdong	(ix)	–	901	152	85	1,138
Fan Jianqiang	(x)	–	–	–	–	–
Shao Lihong	(xi)	21	–	–	–	21
Senior Management resigned						
Cui Yong	(xii)	–	473	84	48	605
Zhang Yi	(xiii)	–	811	120	85	1,016
Li Zhicheng	(xiv)	–	1,989	219	85	2,293
Total		2,970	10,376	1,525	821	15,692

(i) Fu Wanjun was elected Vice Chairman of the Board of Directors and Executive Director and Executive President effective 20 January 2023.

(ii) Wang Changyun was elected Independent Non-Executive Director effective 22 December 2022.

(iii) Zhang Qi was elected Non-Executive Director effective 22 December 2022.

(iv) Deng Lijuan was elected Supervisor of the Shareholders Representative effective 29 June 2022.

(v) Wang Xuejun was elected Supervisor Representing Employees effective 10 May 2022.

(vi) Liu Jiawang was elected Executive Vice President effective 28 November 2022.

(vii) Zhang Qingsong ceased to be Vice Chairman of the Board of Directors and Executive Director and Executive President effective 6 September 2022.

(viii) Wang Xinxin ceased to be Independent Non-Executive Director effective 22 December 2022.

(ix) Wang Jingdong ceased to be Chairman of the Board of Supervisors and Supervisor of the Shareholders Representative effective 7 February 2023.

(x) Fan Jianqiang ceased to be Supervisor of the Shareholders Representative effective 13 June 2022.

(xi) Shao Lihong ceased to be Supervisor Representing Employees effective 10 May 2022.

(xii) Cui Yong ceased to be Executive Vice President effective 9 August 2022.

(xiii) Zhang Yi ceased to be Executive Vice President effective 21 March 2023.

(xiv) Li Zhicheng ceased to be Chief Risk Officer effective 28 February 2023.

(xv) Other benefits in kind include 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 allowances or the prescribed upper limits as required by the relevant regulations issued by the government authorities.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 BENEFITS AND INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(2) Five individuals with the highest emoluments in the Group

(i) Of the five individuals with the highest emoluments in the Group, none of them are Directors, Supervisors or Senior Management whose emoluments are disclosed above. The emoluments of the five individuals whose emoluments were the highest in the Group for the years ended 31 December 2023 and 31 December 2022 were as follows:

	Year ended 31 December	
	2023	2022
Basic salaries and allowances	**23**	21
Discretionary bonuses	**9**	16
Contribution to retirement benefit schemes and others	**1**	1
Total	**33**	38

(ii) The number of these five individuals whose emoluments fell within the following bands are as follows:

	Year ended 31 December	
	2023	2022
RMB4,500,001 to RMB5,000,000 yuan	**1**	–
RMB5,000,001 to RMB5,500,000 yuan	**2**	2
RMB5,500,001 to RMB6,000,000 yuan	**–**	–
RMB6,000,001 to RMB6,500,000 yuan	**–**	–
RMB6,500,001 to RMB7,000,000 yuan	**–**	1
RMB7,000,001 to RMB7,500,000 yuan	**1**	–
RMB7,500,001 to RMB8,000,000 yuan	**–**	–
RMB8,000,001 to RMB8,500,000 yuan	**–**	–
RMB8,500,001 to RMB9,000,000 yuan	**–**	1
RMB9,000,001 to RMB9,500,000 yuan	**–**	–
RMB9,500,001 to RMB10,000,000 yuan	**–**	–
RMB10,000,001 to RMB10,500,000 yuan	**–**	–
RMB10,500,001 to RMB11,000,000 yuan	**1**	–
RMB11,000,001 to RMB11,500,000 yuan	**–**	–
RMB11,500,001 to RMB12,000,000 yuan	**–**	–
RMB12,000,001 to RMB12,500,000 yuan	**–**	1

For the years ended 31 December 2023 and 31 December 2022, no emolument was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. For the years ended 31 December 2023 and 31 December 2022, none of the five highest paid individuals waived any emolument.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 BENEFITS AND INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(3) Other benefits and interests of Directors and Supervisors pursuant to the Hong Kong Companies Ordinance (Cap.622).

For the years ended 31 December 2023 and 31 December 2022, no emolument was paid by the Group to any of the Directors and Supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office. Except for the Annuity Scheme and Pension Scheme (Note II 7 Employee benefits), there were no other retirement benefits for Directors or Supervisors, or consideration provided to third parties for making available Directors' or Supervisors' services; and none of the Directors or Supervisors waived any emolument, or had material interests, whether directly or indirectly, in any material transactions, arrangements or contracts in relation to the Group's business for the years ended 31 December 2023 and 31 December 2022.

The Group enters into credit transactions with the Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors at arm's length in the ordinary course of business. For the years ended 31 December 2023 and 31 December 2022 and as at 31 December 2023 and 31 December 2022, the respective balances of loans and advances from the Group to Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors were not significant. The Group did not provide any guarantee or security to the Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors in respect of their loans, quasi-loans or credit transactions.

8 CREDIT IMPAIRMENT LOSSES

	Year ended 31 December	
	2023	2022
Loans and advances to customers	**138,883**	140,967
Financial investments		
Debt instrument investments at amortized cost	**(5,464)**	1,919
Other debt instrument investments at fair value through other comprehensive income	**(2,235)**	(4,094)
Provision for guarantees and commitments	**(606)**	7,669
Placements with and loans to banks and other financial institutions	**564**	(268)
Deposits with banks and other financial institutions	**58**	(152)
Financial assets held under resale agreements	**1,128**	(462)
Others	**3,379**	(313)
Total	**135,707**	145,266

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9 INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
Current income tax		
— PRC Enterprise Income Tax	**48,584**	54,326
— Hong Kong SAR Income Tax	**826**	707
— Other jurisdictions Income Tax	**208**	361
Subtotal	**49,618**	55,394
Deferred tax (Note IV 22)	**(12,019)**	(7,807)
Total	**37,599**	47,587

Domestic and Overseas Branches Income Tax is calculated at 25% of the estimated taxable profit for both years, and also includes supplementary PRC tax on Overseas Branches as determined in accordance with the relevant PRC income tax rules and regulations. Pre-tax deduction items of enterprise income tax are governed by the relevant tax regulations in Chinese mainland. Taxation arising in other jurisdictions (including Hong Kong SAR) is calculated at the rates prevailing in the relevant jurisdictions.

The tax charges for the years ended 31 December 2023 and 31 December 2022 can be reconciled to the profit per the consolidated statement of profit or loss as follows:

		Year ended 31 December	
	Note	**2023**	2022
Profit before tax		**307,419**	306,453
Tax calculated at applicable PRC statutory tax rate of 25%		**76,855**	76,613
Tax effect of income not taxable for tax purpose	(1)	**(51,884)**	(46,587)
Tax effect of costs, expenses and losses not deductible for tax purpose		**16,106**	20,390
Tax effect of perpetual bonds interest expense		**(3,484)**	(2,810)
Effect of different tax rates in other jurisdictions		**6**	(19)
Income tax expense		**37,599**	47,587

(1) Non-taxable income primarily includes interest income from PRC treasury bonds and municipal government bonds.

10 DIVIDENDS

		Year ended 31 December	
	Notes	**2023**	2022
Dividends on ordinary shares declared and paid			
Cash dividend related to 2022	(1)	**77,766**	–
Cash dividend related to 2021	(2)	**–**	72,376
		77,766	72,376
Dividends on preference shares declared and paid	(3)	**2,128**	4,064
Dividends on preference shares declared and unpaid	(3)	**–**	1,936
Interest on perpetual bonds declared and paid	(4)	**13,935**	11,239

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 DIVIDENDS (Continued)

(1) Distribution of dividend on ordinary shares for 2022

A cash dividend of RMB0.2222 (tax included) per ordinary share related to 2022, amounting to RMB77,766 million (tax included) in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2022 as determined in accordance with the relevant accounting rules and financial regulations applicable to PRC enterprises (the "PRC GAAP"), at the annual general meeting held on 29 June 2023.

The above dividend was recognized as distribution and distributed during the year ended 31 December 2023.

(2) Distribution of dividend on ordinary shares for 2021

A cash dividend of RMB0.2068 (tax included) per ordinary share related to 2021, amounting to RMB72,376 million (tax included) in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2021 as determined in accordance with the PRC GAAP, at the annual general meeting held on 29 June 2022.

The above dividend was recognized as distribution and distributed during the year ended 31 December 2022.

(3) Distribution of dividend on preference shares

Distribution of dividend on preference shares for 2023

A cash dividend at the dividend rate of 5.32% per annum related to the first tranche of preference shares of 2022 to 2023 amounting to RMB2,128 million (tax included) in total was approved at the Board of Directors' Meeting held on 29 August 2023 and distributed on 6 November 2023.

Distribution of dividend on preference shares for 2022

A cash dividend at the dividend rate of 4.84% per annum related to the second tranche of preference shares of 2021 to 2022 amounting to RMB1,936 million (tax included) in total was approved at the Board of Directors' Meeting held on 26 January 2022 and distributed on 11 March 2022.

A cash dividend at the dividend rate of 5.32% per annum related to the first tranche of preference shares of 2021 to 2022 amounting to RMB2,128 million (tax included) in total was approved at the Board of Directors' Meeting held on 29 August 2022 and distributed on 7 November 2022.

A cash dividend at the dividend rate of 4.84% per annum related to the second tranche of preference shares of 2022 to 2023 amounting to RMB1,936 million (tax included) in total was approved at the Board of Directors' Meeting held on 28 December 2022 and distributed on 13 March 2023. As at 31 December 2022, the dividends on preference shares declared and unpaid was recognized in the consolidated statement of financial position.

(4) Distribution of interest on perpetual bonds

Distribution of interest on perpetual bonds for 2023

An interest at the interest rate of 3.49% per annum related to the 2022-first tranche of perpetual bonds of RMB50 billion amounting to RMB1,745 million in total was declared on 20 February 2023 and distributed on 22 February 2023.

An interest at the interest rate of 3.48% per annum related to the 2020-first tranche of perpetual bonds of RMB85 billion amounting to RMB2,958 million in total was declared on 10 May 2023 and distributed on 12 May 2023.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 DIVIDENDS (Continued)

(4) ***Distribution of interest on perpetual bonds*** *(Continued)*

Distribution of interest on perpetual bonds for 2023 (Continued)

An interest at the interest rate of 4.39% per annum related to the 2019-first tranche of perpetual bonds of RMB85 billion amounting to RMB3,732 million in total was declared on 17 August 2023 and distributed on 20 August 2023.

An interest at the interest rate of 4.50% per annum related to the 2020-second tranche of perpetual bonds of RMB35 billion amounting to RMB1,575 million in total was declared on 22 August 2023 and distributed on 24 August 2023.

An interest at the interest rate of 4.20% per annum related to the 2019-second tranche of perpetual bonds of RMB35 billion amounting to RMB1,470 million in total was declared on 31 August 2023 and distributed on 5 September 2023.

An interest at the interest rate of 3.17% per annum related to the 2022-second tranche of perpetual bonds of RMB30 billion amounting to RMB951 million in total was declared on 31 August 2023 and distributed on 5 September 2023.

An interest at the interest rate of 3.76% per annum related to the 2021-first tranche of perpetual bonds of RMB40 billion amounting to RMB1,504 million in total was declared on 14 November 2023 and distributed on 16 November 2023.

Distribution of interest on perpetual bonds for 2022

An interest at the interest rate of 3.48% per annum related to the 2020-first tranche of perpetual bonds of RMB85 billion amounting to RMB2,958 million in total was declared on 7 May 2022 and distributed on 12 May 2022.

An interest at the interest rate of 4.39% per annum related to the 2019-first tranche of perpetual bonds of RMB85 billion amounting to RMB3,732 million in total was declared on 18 August 2022 and distributed on 20 August 2022.

An interest at the interest rate of 4.50% per annum related to the 2020-second tranche of perpetual bonds of RMB35 billion amounting to RMB1,575 million in total was declared on 22 August 2022 and distributed on 24 August 2022.

An interest at the interest rate of 4.20% per annum related to the 2019-second tranche of perpetual bonds of RMB35 billion amounting to RMB1,470 million in total was declared on 1 September 2022 and distributed on 5 September 2022.

An interest at the interest rate of 3.76% per annum related to the 2021-first tranche of perpetual bonds of RMB40 billion amounting to RMB1,504 million in total was declared on 14 November 2022 and distributed on 16 November 2022.

(5) *A final dividend of RMB0.2309 (tax included) per ordinary share in respect of the year ended 31 December 2023 totalling RMB80,811 million (tax included) has been proposed by the Board of Directors and is subject to approval by the ordinary equity holders in the annual general meeting.*

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is as follows:

	Year ended 31 December	
	2023	2022
Earnings:		
Profit for the year attributable to equity holders of the Bank	**269,356**	259,232
Less: profit for the year attributable to other equity instruments holders of the Bank	**(16,063)**	(17,239)
Profit for the year attributable to ordinary equity holders of the Bank	**253,293**	241,993
Number of shares:		
Weighted average number of ordinary shares in issue (in millions)	**349,983**	349,983
Basic and diluted earnings per share (RMB yuan)	**0.72**	0.69

For the years ended 31 December 2015 and 31 December 2014, the Bank issued two non-cumulative preference shares, respectively, and the specific terms are included in Note IV 33 Other equity instruments.

From 2019 to 2023, the Bank issued a total of eight non-cumulative undated tier 1 capital bonds, and the specific terms are included in Note IV 33 Other equity instruments.

For the purpose of calculating basic earnings per share, cash dividends of RMB2,128 million (tax included) of non-cumulative preference shares declared in respect of the year of 2023 and interests of RMB13,935 million of non-cumulative undated tier 1 capital bonds in respect of 2023 were deducted from the profit for the year attributable to ordinary equity holders of the Bank (2022: cash dividends of RMB6,000 million (tax included) of non-cumulative preference shares and interests of RMB11,239 million of non-cumulative undated tier 1 capital bonds declared in respect of the year of 2022).

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the years ended 31 December 2023 and 31 December 2022, and therefore the conversion feature of preference shares has no dilutive effect on earnings per share calculation.

12 CASH AND BALANCES WITH CENTRAL BANKS

		As at 31 December	
	Notes	**2023**	2022
Cash		**71,140**	67,180
Mandatory reserve deposits with central banks	(1)	**2,359,006**	2,153,612
Surplus reserve deposits with central banks	(2)	**338,123**	169,295
Other deposits with central banks	(3)	**152,582**	157,997
Subtotal		**2,920,851**	2,548,084
Accrued interest		**1,196**	1,046
Total		**2,922,047**	2,549,130

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12 CASH AND BALANCES WITH CENTRAL BANKS (Continued)

(1) The Group places mandatory reserve deposits with the PBOC and overseas regulatory bodies. These include RMB reserve deposits and foreign currency reserve deposits that are not available for use in the Group's daily operations.

As at 31 December 2023, the mandatory deposit reserve ratios of the domestic branches of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC. The mandatory reserve funds placed with the central bank of domestic subsidiaries of the Group are determined by the PBOC. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Chinese mainland are determined by local jurisdictions.

(2) Surplus reserve deposits with central banks include funds for the purpose of cash settlement and other kinds of unrestricted deposits.

(3) Other deposits with central banks primarily represent fiscal deposits and foreign exchange risk reserve placed with the PBOC that are not available for use in the Group's daily operations.

13 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2023	2022
Deposits with:		
Domestic banks	**1,008,493**	573,034
Other domestic financial institutions	**15,980**	9,502
Overseas banks	**49,994**	46,130
Subtotal	**1,074,467**	628,666
Accrued interest	**6,988**	3,538
Allowance for impairment losses	**(1,379)**	(1,319)
Carrying amount	**1,080,076**	630,885

14 PLACEMENTS WITH AND LOANS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2023	2022
Placements with and loans to:		
Domestic banks	**142,828**	153,580
Other domestic financial institutions	**157,965**	144,529
Overseas banks and other financial institutions	**214,983**	202,003
Subtotal	**515,776**	500,112
Accrued interest	**3,539**	2,780
Allowance for impairment losses	**(3,134)**	(2,562)
Carrying amount	**516,181**	500,330

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

The contractual/notional amounts and fair values of the derivative financial instruments entered into by the Group are set out in the following tables. The contractual/notional amounts of derivative financial instruments provide a basis for comparison with fair values of instruments recognized in the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The fair value of derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or precious metal prices relative to their terms. The aggregated fair values of derivative financial assets and liabilities can fluctuate significantly.

Certain financial assets and financial liabilities of the Group are subject to enforceable master net 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. The Group did not offset these financial assets and financial liabilities on a net basis. As at 31 December 2023 and 31 December 2022, the Group did not hold any other financial assets or liabilities, other than derivatives, that are subject to master netting arrangements or similar agreements.

	31 December 2023		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross-currency interest rate swaps	**2,201,349**	**20,701**	**(19,287)**
Currency options	**161,055**	**1,450**	**(1,226)**
Subtotal		**22,151**	**(20,513)**
Interest rate derivatives			
Interest rate swaps	**362,817**	**2,502**	**(1,420)**
Precious metal derivatives and others	**141,712**	**220**	**(5,884)**
Total		**24,873**	**(27,817)**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Continued)

	31 December 2022		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross-currency interest rate swaps	1,766,754	25,476	(25,684)
Currency options	87,071	1,374	(569)
Subtotal		26,850	(26,253)
Interest rate derivatives			
Interest rate swaps	242,817	2,512	(871)
Precious metal derivatives and others	148,701	1,353	(3,880)
Total		30,715	(31,004)

Credit risk weighted amount for derivative transaction counterparties represents the counterparty credit risk associated with derivative transactions and is calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the NFRA which was effective from 1 January 2013 and "Measurement Rule of Counterparty Default Risk Weighted Assets on Derivatives" issued by the NFRA which was effective from 1 January 2019, and is dependent on, among other factors, creditworthiness of customers and maturity characteristics of each type of contract. As at 31 December 2023 and 31 December 2022, the credit risk weighted amount for derivative transaction counterparties was measured under the Internal Ratings-Based approach.

	As at 31 December	
	2023	2022
Counterparty credit default risk-weighted assets	**54,728**	31,566
Credit value adjustment risk-weighted assets	**6,846**	8,825
Total	**61,574**	40,391

Fair value hedges

The following designated fair value hedging instruments are included in the derivative financial instruments disclosed above.

	31 December 2023		
	Contractual/ notional amount	**Fair value**	
		Assets	**Liabilities**
Interest rate swaps	**42,853**	**882**	**(336)**

	31 December 2022		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	37,721	1,455	(45)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Continued)

Fair value hedges *(Continued)*

The Group uses interest rate swaps to hedge against changes arising from changes in interest rates in fair value of loans and advances to customers and other debt instrument investments at fair value through other comprehensive income.

The Group's net gains/(losses) on fair value hedges are as follow:

	Year ended 31 December	
	2023	2022
Net gains/(losses) on		
— hedging instruments	**(666)**	2,653
— hedged items	**723**	(2,778)
Ineffective portion recognized in net trading gains	**57**	(125)

The following table shows maturity details with notional amount of hedging instruments disclosed above:

	Fair value hedges					
	Less than 1 month	**1–3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Total**
31 December 2023	**2,351**	**8,768**	**3,115**	**26,835**	**1,784**	**42,853**
31 December 2022	1,985	445	10,137	23,556	1,598	37,721

The following table sets out the details of the hedged items covered by the Group's fair value hedging strategies:

	31 December 2023				
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		Line items in the statement of financial position
	Assets	**Liabilities**	**Assets**	**Liabilities**	
Bonds	**42,465**	**–**	**–**	**–**	**Other debt instrument investments at fair value through other comprehensive income**
Loans	**2,474**	**–**	**(83)**	**–**	**Loans and advances to customers**
Total	**44,939**	**–**	**(83)**	**–**	

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Continued)

Fair value hedges *(Continued)*

The following table sets out the details of the hedged items covered by the Group's fair value hedging strategies: (Continued)

	31 December 2022				
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		Line items in the statement of financial position
	Assets	Liabilities	Assets	Liabilities	
Bonds	39,250	–	–	–	Other debt instrument investments at fair value through other comprehensive income
Loans	2,787	–	(179)	–	Loans and advances to customers
Total	42,037	–	(179)	–	

16 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December	
	2023	2022
Analyzed by collateral type:		
Debt securities	**1,743,760**	1,113,854
Bills	**67,904**	59,835
Subtotal	**1,811,664**	1,173,689
Accrued interest	**1,470**	945
Allowance for impairment losses	**(3,575)**	(2,447)
Carrying amount	**1,809,559**	1,172,187

The collateral received in connection with financial assets held under resale agreements is disclosed in Note IV 42 Contingent liabilities and commitments — Collateral.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LOANS AND ADVANCES TO CUSTOMERS

17.1 Analyzed by measurement basis

	Notes	As at 31 December 2023	2022
Measured at amortized cost	(1)	**20,237,841**	17,636,791
Measured at fair value through other comprehensive income	(2)	**1,493,925**	1,344,182
Total		**21,731,766**	18,980,973

(1) Measured at amortized cost:

	As at 31 December 2023	*2022*
Corporate loans and advances		
Loans and advances	***12,993,815***	*10,814,664*
Personal loans and advances	***8,076,529***	*7,562,061*
Subtotal	***21,070,344***	*18,376,725*
Accrued interest	***50,352***	*42,920*
Allowance for impairment losses	***(882,855)***	*(782,854)*
Carrying amount of loans and advances to customers measured at amortized cost	***20,237,841***	*17,636,791*

(2) Measured at fair value through other comprehensive income:

	As at 31 December 2023	*2022*
Corporate loans and advances		
Loans and advances	***183,178***	*336,634*
Discounted bills	***1,310,747***	*1,007,548*
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	***1,493,925***	*1,344,182*

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

17.2 Analyzed by ECL assessment method

	31 December 2023			
	Stage I 12 months ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Total
Gross loans and advances to customers measured at amortized cost	**20,424,619**	**395,527**	**300,550**	**21,120,696**
Allowance for impairment losses	**(604,532)**	**(92,521)**	**(185,802)**	**(882,855)**
Loans and advances to customers measured at amortized cost, net	**19,820,087**	**303,006**	**114,748**	**20,237,841**
Loans and advances to customers measured at fair value through other comprehensive income	**1,483,097**	**10,618**	**210**	**1,493,925**
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	**(28,798)**	**(2,202)**	**(63)**	**(31,063)**

	31 December 2022			
	Stage I 12 months ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Total
Gross loans and advances to customers measured at amortized cost	17,813,231	335,352	271,062	18,419,645
Allowance for impairment losses	(537,792)	(80,842)	(164,220)	(782,854)
Loans and advances to customers measured at amortized cost, net	17,275,439	254,510	106,842	17,636,791
Loans and advances to customers measured at fair value through other comprehensive income	1,344,176	6	0	1,344,182
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	(37,372)	(2)	0	(37,374)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LOANS AND ADVANCES TO CUSTOMERS (Continued)

17.2 Analyzed by ECL assessment method (Continued)

The ECL for corporate loans and advances in Stage I and Stage II, as well as personal loans and advances, were measured in accordance with the risk parameters modelling method. The ECL for corporate loans and advances in Stage III were calculated using the discounted cash flow method. For details, see Note IV 44.1 Credit risk.

17.3 Analyzed by movements in loss allowance

The movements of loss allowance are mainly affected by:

— Transfers between stages due to loans and advances to customers experiencing significant increases (or decreases) in credit risk or becoming credit-impaired, and the corresponding transfer of the measurement basis of the loss allowance between 12 months and the entire lifetime ECL;

— Allowance for new loans and advances to customers recognized;

— Remeasurement includes the impact of changes in model assumptions, updates of model parameters, changes in probability of default and loss given default; changes in ECL due to transfer of loans and advances to customers between stages; changes in ECL due to unwinding of discount over time; changes in foreign exchange translations for assets denominated in foreign currencies and other movements;

— The reversal of allowances caused by repayment, transfer out and write-offs of loans and advances to customers.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LOANS AND ADVANCES TO CUSTOMERS (Continued)

17.3 Analyzed by movements in loss allowance (Continued)

The following table shows the impact of above factors on the allowance for impairment losses:

	Year ended 31 December 2023			
Corporate loans and advances	Stage I 12 months ECL (i)	Stage II Lifetime ECL (ii)	Stage III Lifetime ECL (ii)	Total
1 January 2023	415,071	55,734	131,227	602,032
Transfer:				
Stage I to Stage II	(13,931)	13,931	–	–
Stage II to Stage III	–	(25,130)	25,130	–
Stage II to Stage I	13,258	(13,258)	–	–
Stage III to Stage II	–	9,746	(9,746)	–
Originated or purchased financial assets	157,429	–	–	157,429
Remeasurement	(32,918)	38,741	50,394	56,217
Repayment or transfer out	(77,201)	(10,848)	(23,853)	(111,902)
Write-offs	–	–	(24,749)	(24,749)
31 December 2023	461,708	68,916	148,403	679,027

	Year ended 31 December 2023			
Personal loans and advances	Stage I 12 months ECL (iii)	Stage II Lifetime ECL (iv)	Stage III Lifetime ECL (iv)	Total
1 January 2023	160,093	25,110	32,993	218,196
Transfer:				
Stage I to Stage II	(4,097)	4,097	–	–
Stage II to Stage III	–	(12,501)	12,501	–
Stage II to Stage I	8,696	(8,696)	–	–
Stage III to Stage II	–	2,998	(2,998)	–
Originated or purchased financial assets	73,149	–	–	73,149
Remeasurement	(7,650)	23,782	27,796	43,928
Repayment or transfer out	(58,569)	(8,983)	(10,212)	(77,764)
Write-offs	–	–	(22,618)	(22,618)
31 December 2023	171,622	25,807	37,462	234,891

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LOANS AND ADVANCES TO CUSTOMERS (Continued)

17.3 Analyzed by movements in loss allowance (Continued)

The following table shows the impact of above factors on the allowance for impairment losses: (Continued):

	Year ended 31 December 2022			
Corporate loans and advances	Stage I 12 months ECL (v)	Stage II Lifetime ECL (vi)	Stage III	Total
1 January 2022	352,237	50,260	140,884	543,381
Transfer:				
Stage I to Stage II	(5,288)	5,288	–	–
Stage II to Stage III	–	(13,043)	13,043	–
Stage II to Stage I	5,603	(5,603)	–	–
Stage III to Stage II	–	6,154	(6,154)	–
Originated or purchased financial assets	152,359	–	–	152,359
Remeasurement	(16,541)	22,052	44,450	49,961
Repayment or transfer out	(73,299)	(9,374)	(19,331)	(102,004)
Write-offs	–	–	(41,665)	(41,665)
31 December 2022	415,071	55,734	131,227	602,032

	Year ended 31 December 2022			
Personal loans and advances	Stage I 12 months ECL (vii)	Stage II Lifetime ECL (viii)	Stage III	Total
1 January 2022	163,984	7,243	22,075	193,302
Transfer:				
Stage I to Stage II	(3,701)	3,701	–	–
Stage II to Stage III	–	(6,111)	6,111	–
Stage II to Stage I	1,375	(1,375)	–	–
Stage III to Stage II	–	997	(997)	–
Originated or purchased financial assets	62,092	–	–	62,092
Remeasurement	(7,101)	24,712	28,038	45,649
Repayment or transfer out	(56,556)	(4,057)	(6,315)	(66,928)
Write-offs	–	–	(15,919)	(15,919)
31 December 2022	160,093	25,110	32,993	218,196

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LOANS AND ADVANCES TO CUSTOMERS (Continued)

17.3 Analyzed by movements in loss allowance (Continued)

(i) In 2023, the changes of the Group's loss allowance of corporate loans and advances in Stage I, were mainly driven by the net increase of about 19% in the book balance of the corporate loans and advances compared with 1 January 2023.

(ii) In 2023, the changes of the Group's loss allowance of corporate loans and advances in Stage II were mainly driven by the net increase of about 28% in the book balance of the corporate loans and advances in Stage II compared with 1 January 2023, driven by net transfer between stages. This impact was partially offset by the decrease of provision ratio in Stage II.

In 2023, the changes of Group's loss allowance of corporate loans and advances in Stage III were mainly driven by both the net transfer between stages which led to a net increase of nearly 9% in the corresponding gross amount compared with 1 January 2023, and the increase of provision ratio caused by the transfer of relevant loans and advances from Stage II to Stage III. This impact was partially offset by the repayment, transfer out and write-offs of corporate loans and advances.

(iii) In 2023, the changes of the Group's loss allowance of personal loans and advances in Stage I were mainly driven by both the net increase of about 7% in the book balance of the personal loans and advances compared with 1 January 2023, and the increase of the provision ratio.

(iv) In 2023, the changes in loss allowance of the Group's personal loans and advances in Stage II were mainly driven by the net transfer between stages which led to a net increase of nearly 6% in the corresponding gross amount. This impact was partially offset by the decrease of provision ratio in Stage II.

In 2023, the changes in loss allowance of the Group's personal loans and advances in Stage III were mainly driven by both the net transfer between stages which led to a net increase of nearly 21% in the corresponding gross amount and increase in the proportion of provision resulting from transfer of relevant loans and advances from Stage II to Stage III. This impact was partially offset by the repayment, transfer out and write-offs of relevant loans and advances.

(v) In 2022, the changes of the Group's loss allowance of corporate loans and advances in Stage I, were mainly driven by the net increase of about 22% in the book balance of the corporate loans and advances compared with 1 January 2022.

(vi) In 2022, the changes of the Group's loss allowance of corporate loans and advances in Stage II were mainly driven by the net increase of about 6% in the book balance of the corporate loans and advances in Stage II compared with 1 January 2022, and the increase of provision ratio caused by the transfer of relevant loans and advances from Stage I to Stage II.

In 2022, the changes of Group's loss allowance of corporate loans and advances in Stage III were mainly driven by both the net transfer between stages which led to a net increase of nearly 4% in the corresponding gross amount compared with 1 January 2022, and the increase of provision ratio caused by the transfer of relevant loans and advances from Stage II to Stage III. This impact was partially offset by the repayment, transfer out and write-offs of corporate loans and advances.

(vii) In 2022, the changes of the Group's loss allowance of personal loans and advances in Stage I were mainly driven by the decrease of provision ratio.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LOANS AND ADVANCES TO CUSTOMERS (Continued)

17.3 Analyzed by movements in loss allowance (Continued)

(viii) In 2022, the changes in loss allowance of the Group's personal loans and advances in Stage II were mainly driven by both the net transfer between stages which led to a net increase of nearly 106% in the corresponding gross amount and the increase of provision ratio.

In 2022, the changes in loss allowance of the Group's personal loans and advances in Stage III were mainly driven by both the net transfer between stages which led to a net increase of nearly 44% in the corresponding gross amount and increase in the proportion of provision resulting from transfer of relevant loans and advances from Stage II to Stage III. This impact was partially offset by the repayment, transfer out and write-offs of relevant loans and advances.

18 FINANCIAL INVESTMENTS

	Notes	As at 31 December 2023	2022
Financial assets at fair value through profit or loss	18.1	**547,407**	522,057
Debt instrument investments at amortized cost	18.2	**8,463,255**	7,306,000
Other debt instrument and other equity investments at fair value through other comprehensive income	18.3	**2,203,051**	1,702,106
Total		**11,213,713**	9,530,163

18.1 Financial assets at fair value through profit or loss

	Notes	As at 31 December 2023	2022
Financial assets held for trading	(1)	**197,649**	155,869
Financial assets designated at fair value through profit or loss	(2)	**812**	1,250
Other financial assets at fair value through profit or loss	(3)	**348,946**	364,938
Total		**547,407**	522,057
Analyzed as:			
Listed in Hong Kong		**10,499**	5,480
Listed outside Hong Kong	(i)	**370,407**	351,425
Unlisted		**166,501**	165,152
Total		**547,407**	522,057

(i) Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 FINANCIAL INVESTMENTS (Continued)

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

(1) Financial assets held for trading

	As at 31 December	
	2023	2022
Debt securities issued by:		
Governments	**9,342**	16,999
Public sector and quasi-governments	**77,220**	63,951
Financial institutions	**55,489**	18,445
Corporates	**15,558**	27,203
Subtotal	**157,609**	126,598
Precious metal contracts	**15,487**	17,988
Equity	**7,605**	5,790
Fund and others	**16,948**	5,493
Total	**197,649**	155,869

(2) Financial assets designated at fair value through profit or loss (ii)

	As at 31 December	
	2023	2022
Debt securities issued by:		
Financial institutions	**654**	626
Corporates	**158**	624
Total	**812**	1,250

(ii) In order to eliminate or significantly reduce accounting mismatches, the Group designates certain debt securities as financial assets at fair value through profit or loss.

(3) Other financial assets at fair value through profit or loss (iii)

	As at 31 December	
	2023	2022
Debt securities issued by:		
Public sector and quasi-governments	**22,284**	27,678
Financial institutions	**167,756**	176,537
Corporates	**2,400**	882
Subtotal	**192,440**	205,097
Equity	**115,306**	111,902
Fund and others	**41,200**	47,939
Total	**348,946**	364,938

(iii) Other financial assets at fair value through profit or loss refer to financial assets that do not qualify for measurement at AC or FVOCI and are not held for trading, including bond investments, equity interests, funds, trust plans and asset management products of the Group.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 FINANCIAL INVESTMENTS (Continued)

18.2 Debt instrument investments at amortized cost

	Notes	As at 31 December 2023	2022
Debt securities issued by:			
Governments		**5,747,715**	4,751,633
Public sector and quasi-governments		**1,953,312**	1,783,050
Financial institutions		**161,595**	169,394
Corporates		**62,409**	90,812
Subtotal of debt securities		**7,925,031**	6,794,889
Receivable from the MOF	(i)	**290,891**	290,891
Special government bond	(ii)	**93,326**	93,332
Others	(iii)	**17,761**	11,580
Subtotal		**8,327,009**	7,190,692
Accrued interest		**150,788**	135,743
Allowance for impairment losses		**(14,542)**	(20,435)
Debt instrument investments at amortized cost, net		**8,463,255**	7,306,000
Analyzed as:			
Listed in Hong Kong		**30,403**	35,017
Listed outside Hong Kong	(iv)	**7,981,978**	6,832,620
Unlisted		**450,874**	438,363
Total		**8,463,255**	7,306,000

(i) The Group received a notice from the MOF in January 2020, clarifying that from 1 January 2020, the interest rate of the unpaid payments will be verified year by year based on the rate of return of the five-year treasury bond of the previous year.

(ii) Special government bond refers to the non-transferable bond issued by the MOF in 1998 in the aggregated principal amount of RMB93.3 billion to the Predecessor Entity for capital replenishment. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum, starting from 1 December 2008.

(iii) Other debt instrument investments at amortized cost are primarily related to investment in unconsolidated structured entities held by the Group (Note IV 41(2)).

(iv) Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 FINANCIAL INVESTMENTS (Continued)

18.2 Debt instrument investments at amortized cost (Continued)

(1) Analyzed by ECL assessment method

	31 December 2023			
	Stage I 12 months ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Total
Gross debt instrument investments at amortized cost	**8,476,120**	**368**	**1,309**	**8,477,797**
Allowance for impairment losses	**(13,253)**	**–**	**(1,289)**	**(14,542)**
Debt instrument investments at amortized cost, net	**8,462,867**	**368**	**20**	**8,463,255**

	31 December 2022			
	Stage I 12 months ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Total
Gross debt instrument investments at amortized cost	7,324,788	347	1,300	7,326,435
Allowance for impairment losses	(19,150)	–	(1,285)	(20,435)
Debt instrument investments at amortized cost, net	7,305,638	347	15	7,306,000

Debt instrument investments at amortized cost in Stage II and Stage III mainly included corporates bonds and other debt instrument investments.

(2) Analyzed by movements in loss allowance (v)

	Year ended 31 December 2023			
	Stage I 12 months ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Total
1 January 2023	**19,150**	**–**	**1,285**	**20,435**
Originated or purchased financial assets	**3,409**	**–**	**–**	**3,409**
Remeasurement	**(7,023)**	**–**	**4**	**(7,019)**
Maturities or transfer out	**(2,283)**	**–**	**–**	**(2,283)**
31 December 2023	**13,253**	**–**	**1,289**	**14,542**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 FINANCIAL INVESTMENTS (Continued)

18.2 Debt instrument investments at amortized cost (Continued)

(2) Analyzed by movements in loss allowance (V) (Continued)

	Year ended 31 December 2022			
	Stage I 12 months ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Total
1 January 2022	17,764	–	1,263	19,027
Originated or purchased financial assets	4,903	–	–	4,903
Remeasurement	126	–	22	148
Maturities or transfer out	(3,643)	–	–	(3,643)
31 December 2022	19,150	–	1,285	20,435

(v) As at 31 December 2023, the decreases of the Group's loss allowance of debt instrument investments at amortized cost were mainly due to the remeasurement and maturities or transfer out of remained debt instrument investments.

18.3 Other debt instrument and other equity investments at fair value through other comprehensive income

		31 December 2023			
	Notes	**Amortized cost of debt instruments/ cost of equity instruments**	**Fair value**	**Cumulative amount of change in fair value that is accrued to other comprehensive income**	**Cumulative amount of impairment**
Other debt instrument investments	(1)	**2,174,855**	**2,195,685**	**20,830**	**(3,870)**
Other equity investments	(2)	**5,930**	**7,366**	**1,436**	**N/A**
Total		**2,180,785**	**2,203,051**	**22,266**	**(3,870)**

		31 December 2022			
	Notes	Amortized cost of debt instruments/ cost of equity instruments	Fair value	Cumulative amount of change in fair value that is accrued to other comprehensive income	Cumulative amount of impairment
Other debt instrument investments	(1)	1,694,785	1,697,405	2,620	(6,343)
Other equity investments	(2)	3,519	4,701	1,182	N/A
Total		1,698,304	1,702,106	3,802	(6,343)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 FINANCIAL INVESTMENTS (Continued)

18.3 Other debt instrument and other equity investments at fair value through other comprehensive income (Continued)

(1) Other debt instrument investments

(a) Analyzed by types of issuers

	Note	As at 31 December 2023	2022
Debt securities:			
Governments		**1,102,019**	870,339
Public sector and quasi-governments		**243,852**	235,712
Financial institutions		**703,570**	429,063
Corporates		**120,006**	135,994
Subtotal		**2,169,447**	1,671,108
Others	(i)	**9,178**	10,558
Subtotal of debt instruments		**2,178,625**	1,681,666
Accrued interest		**17,060**	15,739
Total		**2,195,685**	1,697,405
Analyzed as:			
Listed in Hong Kong		**128,173**	124,853
Listed outside Hong Kong		**1,938,190**	1,486,760
Unlisted		**129,322**	85,792
Total		**2,195,685**	1,697,405

(i) Others primarily include investments in unconsolidated structured entities held by the Group (Note IV 41(2)), such as trust investment plans and debt investment plans.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 FINANCIAL INVESTMENTS (Continued)

18.3 Other debt instrument and other equity investments at fair value through other comprehensive income (Continued)

(1) Other debt instrument investments (Continued)

(b) Analyzed by ECL assessment method

	31 December 2023			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
Carrying amount of other debt instrument investments at fair value through other comprehensive income	**2,194,783**	**885**	**17**	**2,195,685**
Allowance for impairment losses	**(3,848)**	**(7)**	**(15)**	**(3,870)**

	31 December 2022			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
Carrying amount of other debt instrument investments at fair value through other comprehensive income	1,696,481	400	524	1,697,405
Allowance for impairment losses	(6,078)	(9)	(256)	(6,343)

Other debt instrument investments at fair value through other comprehensive income in Stage II and Stage III mainly included corporates bonds and financial institutions bonds.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 FINANCIAL INVESTMENTS (Continued)

18.3 Other debt instrument and other equity investments at fair value through other comprehensive income (Continued)

(1) Other debt instrument investments (Continued)

(c) Analyzed by movements in loss allowance (ii)

	Year ended 31 December 2023			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
1 January 2023	**6,078**	**9**	**256**	**6,343**
Transfer:				
Stage I transfer to Stage II	**(1)**	**1**	**–**	**–**
Stage III transfer to Stage II	**–**	**77**	**(77)**	**–**
Originated or purchased financial assets	**981**	**–**	**–**	**981**
Remeasurement	**(1,224)**	**(77)**	**–**	**(1,301)**
Maturities or transfer out	**(1,986)**	**(3)**	**(164)**	**(2,153)**
31 December 2023	**3,848**	**7**	**15**	**3,870**

	Year ended 31 December 2022			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
1 January 2022	10,457	189	115	10,761
Transfer:				
Stage I transfer to Stage III	(111)	–	111	–
Stage II transfer to Stage I	51	(51)	–	–
Originated or purchased financial assets	1,942	–	–	1,942
Remeasurement	(1,257)	(4)	30	(1,231)
Maturities or transfer out	(5,004)	(125)	–	(5,129)
31 December 2022	6,078	9	256	6,343

(ii) As at 31 December 2023, the decreases of the Group's loss allowance of other debt instrument investments at fair value through other comprehensive income were mainly due to maturities or transfer out of debt instrument investments and the remeasurement of remained debt instrument investments.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 FINANCIAL INVESTMENTS (Continued)

18.3 Other debt instrument and other equity investments at fair value through other comprehensive income (Continued)

(2) Other equity instruments

	As at 31 December	
	2023	2022
Financial institutions	**6,636**	4,564
Other enterprises	**730**	137
Total	**7,366**	4,701

The Group designates certain non-trading equity investments as financial investments at fair value through other comprehensive income. In 2023, dividend income from such equity investments of the Group was RMB242 million (2022: RMB6 million). The value of disposed of such equity investments was RMB612 million (2022: RMB1 million) and the cumulative gains transferred into retained earnings from other comprehensive income after disposal was RMB1 million (2022: cumulative gains of RMB0 yuan).

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 INVESTMENT IN SUBSIDIARIES AND STRUCTURED ENTITIES

(1) Investment in subsidiaries

The following are the principal subsidiaries of the Bank as at 31 December 2023:

Name of entity	Notes	Date of incorporation/ establishment	Place of incorporation/ establishment	Authorized capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
China Agricultural Finance Co., Ltd.		1 November 1988	Hong Kong, PRC	HKD588,790,000	100.00	100.00	Investment holding
ABC International Holdings Limited		11 November 2009	Hong Kong, PRC	HKD4,113,392,450	100.00	100.00	Investment holding
ABC Financial Leasing Co., Ltd.		29 September 2010	Shanghai, PRC	RMB9,500,000,000	100.00	100.00	Financial leasing
Agricultural Bank of China (UK) Limited		29 November 2011	London, United Kingdom	USD100,000,002	100.00	100.00	Banking
ABC-CA Fund Management Co., Ltd.		18 March 2008	Shanghai, PRC	RMB1,750,000,001	51.67	51.67	Fund management
ABC Hexigten Rural Bank Limited Liability Company		12 August 2008	Inner Mongolia, PRC	RMB19,600,000	51.02	51.02	Banking
ABC Hubei Hanchuan Rural Bank Limited Liability Company	(i)	12 August 2008	Hubei, PRC	RMB31,000,000	50.00	66.67	Banking
ABC Jixi Rural Bank Limited Liability Company		25 May 2010	Anhui, PRC	RMB29,400,000	51.02	51.02	Banking
ABC Ansai Rural Bank Limited Liability Company		30 March 2010	Shaanxi, PRC	RMB40,000,000	51.00	51.00	Banking
ABC Zhejiang Yongkang Rural Bank Limited Liability Company		20 April 2012	Zhejiang, PRC	RMB210,000,000	51.00	51.00	Banking
ABC Xiamen Tong'an Rural Bank Limited Liability Company		24 May 2012	Fujian, PRC	RMB150,000,000	51.00	51.00	Banking
ABC Life Insurance Co., Ltd.	(ii)	19 December 2005	Beijing, PRC	RMB2,949,916,475	51.00	51.00	Life insurance
Agricultural Bank of China (Luxembourg) Limited		26 November 2014	Luxembourg, Luxembourg	EUR20,000,000	100.00	100.00	Banking
Agricultural Bank of China (Moscow) Limited		23 December 2014	Moscow, Russia	RUB7,556,038,271	100.00	100.00	Banking
ABC Financial Asset Investment Co., Ltd.		1 August 2017	Beijing, PRC	RMB20,000,000,000	100.00	100.00	Debt-to-equity swap and related services
Agricultural Bank of China Wealth Management Co., Ltd.		25 July 2019	Beijing, PRC	RMB12,000,000,000	100.00	100.00	Wealth management

During the years ended 31 December 2023 and 31 December 2022, there were no changes in the proportion of equity interest or voting rights the Bank held in its subsidiaries.

(i) Two of the three directors on the board of ABC Hubei Hanchuan Rural Bank Limited Liability Company were appointed by the Bank. The Bank concluded that it has effective control over and has included this entity in its consolidation scope.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 INVESTMENT IN SUBSIDIARIES AND STRUCTURED ENTITIES (Continued)

(1) Investment in subsidiaries (Continued)

(ii) On 31 December 2012, the Bank acquired 51% of the issued share capital of Jiahe Life Insurance Co., Ltd. and renamed it as ABC Life Insurance Co., Ltd. ("ABC Life Insurance"). As at 31 December 2012, the Group recognized goodwill of RMB1,381 million as a result of this acquisition. During the year ended 31 December 2016, the Bank and other investors contributed additional capital totalling RMB3,761 million to ABC Life Insurance, comprising registered capital of RMB917 million and capital reserve of RMB2,844 million. After the capital injection, the proportion of equity interest and voting rights the Bank held in ABC Life Insurance remained at 51%.

The Bank tests the impairment of goodwill annually. When performing the impairment test, the Bank compares the carrying amount of the assets (including goodwill and the value of the mergers and acquisitions after deduction of amortization) with the recoverable amount. The excess of carrying amount over recoverable amount is recognized in profit or loss of the current period.

The recoverable amount of the assets is based on adjusted net assets, value of in-force business, value of one year of new business, new business multiplier, and other data approved by the management of ABC Life Insurance. The actuarial valuation method is applied and the risk discount rate, return on investment, valuation discount rate, and other assumptions adopted to forecast cash flows respectively reflect the specific risks associated with them.

As at 31 December 2023 and 31 December 2022, there was no objective evidence noted for any goodwill impairment, and no impairment loss was recognized.

(2) Structured entities

The Group also consolidated structured entities as disclosed in Note IV 41 Structured entities.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

(1) Investment in associates

Name of entity	Notes	Date of establishment	Place of incorporation/ business	Authorized capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
Sino-Congolese Bank of Africa	(i)	2015	Brazzaville, Congo	XAF53,342,800,000	50.00	50.00	Bank
Shenzhen Yuanzhifuhai No. 6 Investment Enterprise (Limited Partnership)	(ii)	2015	Guangdong, PRC	RMB313,000,000	31.95	33.33	Equity investment, investment management and investment advisory service
Beijing Guofa Aero Engine Industry Investment Fund Center (Limited Partnership)	(ii)	2018	Beijing, PRC	RMB6,343,200,000	15.61	11.11	Non-securities investment activities and related advisory services
Jilin Hongqizhiwang New Energy Automobile Fund Investment Management Center (Limited Partnership)	(ii)	2019	Jilin, PRC	RMB3,885,500,000	25.25	20.00	Non-securities investment activities and related advisory services
Xinyuan (Beijing) Debt-to-Equity Special Equity Investment Center (Limited Partnership)	(ii)	2020	Beijing, PRC	RMB6,000,000,000	15.67	14.29	Equity investment
National Green Development Fund Co., Ltd.	(iii)	2020	Shanghai, PRC	RMB88,500,000,000	9.04	9.04	Equity investment, project investment and investment management
National Social Endowment Insurance Co., Ltd.	(iv)	2022	Beijing, PRC	RMB11,150,000,000	8.97	8.97	Insurance
BNP Paribas ABC Wealth Management Co., Ltd.	(iv)	2023	Shanghai, PRC	RMB1,000,000,000	49.00	49.00	Wealth management

(i) On 28 May 2015, the Sino-Congolese Bank of Africa (La Banque Sino-Congolaise pour l'Afrique, hereinafter referred to as BSCA. Bank), established by the Bank and other investors with authorized capital denominated in Central African CFA franc ("XAF"), was granted the required banking license by the local regulatory authority. The Bank holds 50% equity interest and voting rights in BSCA. Bank, and has the right to participate in the financial and operational decisions of BSCA. Bank, but does not constitute control or joint control over those decisions.

(ii) The Bank's wholly-owned subsidiary, ABC Financial Asset Investment Co., Ltd. and other investors invested in the above mentioned enterprises. The Group has the right to participate in the financial and operational decisions of these enterprises, but does not constitute control or joint control over those decisions.

(iii) The Bank was approved to participate in the investment in National Green Development Fund Co., Ltd. in 2021. The Bank holds 9.04% equity interest and has the right to participate in the financial and operational decisions, but does not constitute control or joint control over those decisions.

(iv) The Bank's wholly-owned subsidiary, Agricultural Bank of China Wealth Management Co., Ltd. and other investors invested in the above mentioned enterprises. The Group has the right to participate in the financial and operational decisions of the enterprise, but does not constitute control or joint control over those decisions.

(v) The interests of the Group in the above-mentioned associates does not have a significant impact on the Group.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (Continued)

(2) Investment in joint ventures

Name of entity	Date of establishment	Place of incorporation/ business	Authorized capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
Jiangsu Jiequansuihe State-owned Enterprise Mixed Ownership Reform Fund (Limited Partnership)	2018	Jiangsu, PRC	RMB1,000,000,000	69.00	28.57	Equity investment, debt-to-equity and related supporting services
Nongjin Gaotou (Hubei) Debt-to-Equity Investment Fund (Limited Partnership)	2018	Hubei, PRC	RMB500,000,000	74.00	33.33	Non-securities equity investment activities and related advisory services
Jiaxing Suihe New Silk Road Investment Fund (Limited Partnership)	2018	Zhejiang, PRC	RMB1,500,000,000	66.67	50.00	Industrial investment and equity investment
Inner Mongolia Mengxingzhuli Development Fund Investment Center (Limited Partnership)	2018	Inner Mongolia, PRC	RMB2,000,000,000	50.00	50.00	Equity investment, investment management and investment advisory service
Jianxinjintou Infrastructure Equity Investment (Tianjin) Fund (Limited Partnership)	2019	Tianjin, PRC	RMB3,500,000,000	20.00	20.00	Equity investment and investment management
Shaanxi Suihe Equity Investment Fund Partnership (Limited Partnership)	2019	Shaanxi, PRC	RMB1,000,000,000	50.00	50.00	Equity investment

The wholly-owned subsidiary of the Bank, ABC Financial Asset Investment Co., Ltd. and other investors established the above-mentioned entities. According to the agreements, matters considered at the Meeting of Partners or investment decision-making committee shall be approved by the unanimous consent of all the partners or all the committee members. The Group constitutes joint control over the financial and operational decisions of these limited partnerships with the other investors.

The interests of the Group in the above-mentioned joint ventures does not have a significant impact on the Group.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21 PROPERTY AND EQUIPMENT

	Buildings	Machinery and equipment	Motor vehicles	Construction in progress	Total
Cost:					
1 January 2023	**193,356**	**68,966**	**15,253**	**10,064**	**287,639**
Additions	**1,868**	**8,073**	**1,395**	**9,563**	**20,899**
Transfers in/(out)	**5,148**	**2,087**	**–**	**(7,235)**	**–**
Other movements	**(2,366)**	**(5,782)**	**(196)**	**(6)**	**(8,350)**
31 December 2023	**198,006**	**73,344**	**16,452**	**12,386**	**300,188**
Accumulated depreciation:					
1 January 2023	**(83,439)**	**(47,128)**	**(4,186)**	**–**	**(134,753)**
Charge for the year	**(7,211)**	**(7,044)**	**(726)**	**–**	**(14,981)**
Other movements	**1,136**	**5,169**	**324**	**–**	**6,629**
31 December 2023	**(89,514)**	**(49,003)**	**(4,588)**	**–**	**(143,105)**
Allowance for impairment losses:					
1 January 2023	**(263)**	**(5)**	**(12)**	**(34)**	**(314)**
Impairment loss	**(1)**	**(22)**	**(10)**	**–**	**(33)**
Other movements	**3**	**–**	**–**	**–**	**3**
31 December 2023	**(261)**	**(27)**	**(22)**	**(34)**	**(344)**
Carrying amount:					
1 January 2023	**109,654**	**21,833**	**11,055**	**10,030**	**152,572**
31 December 2023	**108,231**	**24,314**	**11,842**	**12,352**	**156,739**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21 PROPERTY AND EQUIPMENT (Continued)

	Buildings	Machinery and equipment	Motor vehicles	Construction in progress	Total
Cost:					
1 January 2022	189,309	65,906	16,398	9,516	281,129
Additions	2,673	7,203	730	6,709	17,315
Transfers in/(out)	4,948	1,204	–	(6,152)	–
Other movements	(3,574)	(5,347)	(1,875)	(9)	(10,805)
31 December 2022	193,356	68,966	15,253	10,064	287,639
Accumulated depreciation:					
1 January 2022	(77,605)	(45,724)	(4,110)	–	(127,439)
Charge for the year	(6,951)	(6,289)	(775)	–	(14,015)
Other movements	1,117	4,885	699	–	6,701
31 December 2022	(83,439)	(47,128)	(4,186)	–	(134,753)
Allowance for impairment losses:					
1 January 2022	(270)	(6)	(81)	(34)	(391)
Impairment loss	(2)	–	(11)	–	(13)
Other movements	9	1	80	–	90
31 December 2022	(263)	(5)	(12)	(34)	(314)
Carrying amount:					
1 January 2022	111,434	20,176	12,207	9,482	153,299
31 December 2022	109,654	21,833	11,055	10,030	152,572

According to the relevant laws and regulations, subsequent to the Bank's transformation into a joint stock company, the legal title of properties previously held by the Predecessor Entity are to be transferred to the Bank. As at 31 December 2023, the registration transfer process of these transferred properties and other certain properties has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those assets or adversely affect the Bank's operation.

22 DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following is the analysis of the deferred tax balances:

	As at 31 December	
	2023	2022
Deferred tax assets	**160,750**	149,930
Deferred tax liabilities	**(14)**	(9)
Net	**160,736**	149,921

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 DEFERRED TAXATION (Continued)

(1) The following are the movements and major deferred tax assets and liabilities recognized:

	Allowance for impairment losses	Accrued but unpaid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
31 December 2022	138,684	14,807	189	10,197	(14,750)	794	149,921
Changes in accounting policies	–	–	–	–	(337)	–	(337)
1 January 2023	138,684	14,807	189	10,197	(15,087)	794	149,584
Credit/(charge) to the consolidated statement of profit or loss	12,366	1,907	(55)	722	(2,131)	(790)	12,019
Charge to other comprehensive income	–	–	–	–	(1,789)	922	(867)
31 December 2023	151,050	16,714	134	10,919	(19,007)	926	160,736

	Allowance for impairment losses	Accrued but unpaid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
31 December 2021	136,059	11,844	272	8,452	(14,437)	182	142,372
Changes in accounting policies	–	–	–	–	–	61	61
1 January 2022	136,059	11,844	272	8,452	(14,437)	243	142,433
Credit/(charge) to the consolidated statement of profit or loss	2,625	2,963	(83)	1,745	236	321	7,807
Charge to other comprehensive income	–	–	–	–	(549)	230	(319)
31 December 2022	138,684	14,807	189	10,197	(14,750)	794	149,921

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 DEFERRED TAXATION (Continued)

(2) Deferred tax assets/(liabilities) and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

	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				
Allowance for impairment losses	**604,204**	**151,050**	554,795	138,684
Fair value changes of financial instruments	**49,280**	**12,317**	50,271	12,570
Accrued but unpaid staff cost	**66,858**	**16,714**	59,228	14,807
Provision	**43,674**	**10,919**	40,788	10,197
Early retirement benefits	**537**	**134**	758	189
Others	**17,693**	**4,422**	13,790	3,454
Subtotal	**782,246**	**195,556**	719,630	179,901
Deferred tax liabilities				
Fair value changes of financial instruments	**(125,487)**	**(31,324)**	(109,465)	(27,320)
Others	**(14,006)**	**(3,496)**	(10,643)	(2,660)
Subtotal	**(139,493)**	**(34,820)**	(120,108)	(29,980)
Net	**642,753**	**160,736**	599,522	149,921

23 OTHER ASSETS

	Notes	As at 31 December 2023	2022
Accounts receivable and temporary payments		**130,940**	72,306
Land use rights	(1)	**19,191**	19,982
Right-of-use assets	(2)	**11,502**	10,877
Intangible assets	(3)	**9,483**	7,885
Interest receivable		**4,157**	3,662
Long-term deferred expenses		**3,286**	2,996
Investment properties		**2,211**	2,193
Foreclosed assets		**1,405**	1,082
Insurance services receivable		**240**	506
Others		**10,747**	14,252
Total		**193,162**	135,741

(1) According to relevant laws and regulations, subsequent to the Bank's transformation into a joint stock company, land use rights previously held by the Predecessor Entity are to be transferred to the Bank. As at 31 December 2023, the registration transfer process of certain land use rights has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those land use rights.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 OTHER ASSETS (Continued)

(2) Right-of-use assets

	Buildings	***Others***	***Total***
Cost:			
1 January 2023	***21,418***	***147***	***21,565***
Additions	***4,891***	***38***	***4,929***
Other movements	***(3,368)***	***(50)***	***(3,418)***
31 December 2023	***22,941***	***135***	***23,076***
Accumulated depreciation:			
1 January 2023	***(10,589)***	***(99)***	***(10,688)***
Additions	***(3,895)***	***(22)***	***(3,917)***
Other movements	***2,996***	***35***	***3,031***
31 December 2023	***(11,488)***	***(86)***	***(11,574)***
Carrying amount:			
1 January 2023	***10,829***	***48***	***10,877***
31 December 2023	***11,453***	***49***	***11,502***

	Buildings	*Others*	*Total*
Cost:			
1 January 2022	*18,940*	*154*	*19,094*
Additions	*5,249*	*36*	*5,285*
Other movements	*(2,771)*	*(43)*	*(2,814)*
31 December 2022	*21,418*	*147*	*21,565*
Accumulated depreciation:			
1 January 2022	*(8,825)*	*(78)*	*(8,903)*
Additions	*(3,844)*	*(24)*	*(3,868)*
Other movements	*2,080*	*3*	*2,083*
31 December 2022	*(10,589)*	*(99)*	*(10,688)*
Carrying amount:			
1 January 2022	*10,115*	*76*	*10,191*
31 December 2022	*10,829*	*48*	*10,877*

(3) In 2023, the Group's capitalized research and development expenditure amounted to RMB1,874 million (2022: RMB1,393 million), and the Group's capitalized research and development expenditure of the projects that had been closed and transferred to intangible assets amounted to RMB1,884 million (2022: RMB1,560 million).

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24 BORROWINGS FROM CENTRAL BANKS

	As at 31 December	
	2023	2022
Borrowings from central banks	**1,114,768**	891,603
Accrued interest	**12,301**	9,513
Total	**1,127,069**	901,116

25 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2023	2022
Deposits from:		
Domestic banks	**403,012**	267,914
Other domestic financial institutions	**3,173,103**	2,122,741
Overseas banks	**4,256**	4,005
Other overseas financial institutions	**54,920**	48,819
Subtotal	**3,635,291**	2,443,479
Accrued interest	**18,206**	15,699
Total	**3,653,497**	2,459,178

26 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2023	2022
Placements from:		
Domestic banks and other financial institutions	**126,162**	93,595
Overseas banks and other financial institutions	**253,066**	238,133
Subtotal	**379,228**	331,728
Accrued interest	**3,062**	2,027
Total	**382,290**	333,755

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2023	2022
Financial liabilities held for trading		
Precious metal contracts	**11,987**	12,039
Financial liabilities designated at fair value through profit or loss		
Liabilities of the controlled structured entities	**530**	248
Others	**80**	–
Subtotal	**610**	248
Total	**12,597**	12,287

For the current and prior year, there were no significant changes in the fair value of the Group's financial liabilities designated at fair value through profit or loss attributable to the changes in the Group's own credit risk.

28 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December	
	2023	2022
Analyzed by type of collateral:		
Debt securities	**96,182**	40,010
Bills	**3,621**	3,560
Subtotal	**99,803**	43,570
Accrued interest	**718**	209
Total	**100,521**	43,779

The collateral pledged under repurchase agreements is disclosed in Note IV 42 Contingent liabilities and commitments — Collateral.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29 DUE TO CUSTOMERS

	Note	As at 31 December 2023	2022
Demand deposits			
Corporate customers		**5,538,382**	5,470,469
Individual customers		**6,666,150**	6,508,440
Time deposits			
Corporate customers		**5,068,105**	3,686,042
Individual customers		**10,453,689**	8,479,927
Pledged deposits	(1)	**568,312**	427,959
Others		**144,657**	164,597
Subtotal		**28,439,295**	24,737,434
Accrued interest		**459,173**	383,606
Total		**28,898,468**	25,121,040

(1) Analyzed by activity to which pledged deposits are related to:

	As at 31 December 2023	2022
Trade finance	**194,523**	152,626
Bank acceptance	**190,331**	121,800
Letters of guarantee and guarantees	**49,486**	52,384
Letters of credit	**76,684**	50,783
Others	**57,288**	50,366
Total	**568,312**	427,959

(2) As at 31 December 2023, due to customers measured at amortized cost of the Group amounted to RMB28,889,726 million (31 December 2022: RMB25,093,700 million), due to customers measured at fair value through profit or loss of the Group amounted to RMB8,742 million (31 December 2022: RMB27,340 million). As at 31 December 2023 and 31 December 2022, the difference between the fair value of the structured deposits designated at fair value through profit or loss issued by the Group and the contractual amount payable to the holders of these products upon maturity was not material.

30 DEBT SECURITIES ISSUED

	Notes	As at 31 December 2023	2022
Bonds issued	(1)	**616,699**	478,063
Certificates of deposit issued	(2)	**296,543**	306,523
Other debt securities issued	(3)	**1,369,771**	1,074,198
Subtotal		**2,283,013**	1,858,784
Accrued Interest		**12,908**	10,614
Total		**2,295,921**	1,869,398

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 DEBT SECURITIES ISSUED (Continued)

As at 31 December 2023 and 31 December 2022, there was no default on the principal, interest or redemption related to any debt securities issued by the Group.

(1) Bonds issued

	Notes	As at 31 December 2023	2022
2.40% CNY fixed rate Green Bonds maturing in October 2025	(i)	**15,000**	15,000
2.80% CNY fixed rate Green Bonds maturing in October 2027	(ii)	**5,000**	5,000
1.25% USD fixed rate Green Bonds maturing in January 2026	(iii)	**2,125**	2,089
2.00% USD fixed rate Green Bonds maturing in January 2027	(iv)	**2,125**	2,089
SOFR+0.63% USD float rate Green Bonds maturing in November 2026	(v)	**2,125**	–
SOFR+0.55% USD float rate Green Bonds maturing in March 2023	(vi)	**–**	209
4.45% Tier-two capital fixed rate bonds maturing in April 2028	(vii)	**–**	40,000
4.28% Tier-two capital fixed rate bonds maturing in March 2029	(viii)	**50,000**	50,000
4.30% Tier-two capital fixed rate bonds maturing in April 2029	(ix)	**40,000**	40,000
3.10% Tier-two capital fixed rate bonds maturing in May 2030	(x)	**40,000**	40,000
3.45% Tier-two capital fixed rate bonds maturing in June 2032	(xi)	**40,000**	40,000
3.03% Tier-two capital fixed rate bonds maturing in September 2032	(xii)	**50,000**	50,000
3.49% Tier-two capital fixed rate bonds maturing in March 2033	(xiii)	**45,000**	–
3.25% Tier-two capital fixed rate bonds maturing in September 2033	(xiv)	**30,000**	–
3.45% Tier-two capital fixed rate bonds maturing in October 2033	(xv)	**30,000**	–
4.53% Tier-two capital fixed rate bonds maturing in March 2034	(xvi)	**10,000**	10,000
4.63% Tier-two capital fixed rate bonds maturing in April 2034	(xvii)	**20,000**	20,000
3.65% Tier-two capital fixed rate bonds maturing in June 2037	(xviii)	**20,000**	20,000
3.34% Tier-two capital fixed rate bonds maturing in September 2037	(xix)	**20,000**	20,000
3.61% Tier-two capital fixed rate bonds maturing in March 2038	(xx)	**25,000**	–
3.35% Tier-two capital fixed rate bonds maturing in September 2038	(xxi)	**30,000**	–
3.55% Tier-two capital fixed rate bonds maturing in October 2038	(xxii)	**30,000**	–
Medium term notes issued	(xxiii)	**48,414**	57,643
1.99% fixed rate financial bonds maturing in April 2023	(xxiv)	**–**	20,000
3.38% fixed rate financial bonds maturing in April 2024	(xxv)	**20,000**	20,000

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued)

	Notes	As at 31 December 2023	2022
2.65% fixed rate financial bonds maturing in June 2026	(xxvi)	**20,000**	–
3.90% fixed rate financial bonds maturing in November 2023	(xxvii)	**–**	2,000
3.06% fixed rate financial bonds maturing in August 2024	(xxviii)	**2,500**	2,500
2.80% fixed rate financial bonds maturing in November 2026	(xxix)	**2,400**	–
2.68% fixed rate financial bonds maturing in March 2023	(xxx)	**–**	4,000
3.40% fixed rate financial bonds maturing in September 2024	(xxxi)	**2,000**	2,000
2.75% fixed rate financial bonds maturing in March 2025	(xxxii)	**6,000**	6,000
3.80% fixed rate financial bonds maturing in June 2025	(xxxiii)	**–**	500
4.10% fixed rate financial bonds maturing in April 2026	(xxxiv)	**1,099**	1,099
3.80% fixed rate financial bonds maturing in June 2026	(xxxv)	**2,998**	2,998
5.55% fixed rate capital replenishment bonds maturing in March 2028	(xxxvi)	**–**	3,500
3.60% fixed rate capital replenishment bonds maturing in March 2030	(xxxvii)	**1,500**	1,500
3.67% fixed rate capital replenishment bonds maturing in March 2033	(xxxviii)	**3,500**	–
Total nominal value		**616,786**	478,127
Less: Unamortized issuance cost and discounts		**(87)**	(64)
Total		**616,699**	478,063

Pursuant to the approval by relevant regulatory authorities, the bonds issued by the Group are set out as below:

(i) The CNY green bonds issued in October 2022 have a maturity of 3 years, with a fixed coupon rate 2.40%, payable annually.

(ii) The CNY green bonds issued in October 2022 have a maturity of 5 years, with a fixed coupon rate 2.80%, payable annually.

(iii) The USD green bonds issued in January 2021 have a maturity of 5 years, with a fixed coupon rate 1.25%, payable semi-annually.

(iv) The USD green bonds issued in January 2022 have a maturity of 5 years, with a fixed coupon rate 2.00%, payable semi-annually.

(v) The USD green bonds issued in November 2023 have a maturity of 3 year, with a float coupon rate SOFR+0.63%, payable quarterly.

(vi) The USD green bonds issued in March 2022 have a maturity of 1 year, with a float coupon rate SOFR+0.55%, payable monthly. The bonds have expired on 2 March 2023.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued)

(vii) The Tier-two capital bonds issued in April 2018 have a maturity of 10 years, with a fixed coupon rate of 4.45% payable annually. The Bank has redeemed all of the bonds at face value on 27 April 2023.

(viii) The Tier-two capital bonds issued in March 2019 have a maturity of 10 years, with a fixed coupon rate of 4.28% payable annually. The Bank has an option to redeem part or all of the bonds at face value in March 2024 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(ix) The Tier-two capital bonds issued in April 2019 have a maturity of 10 years, with a fixed coupon rate of 4.30% payable annually. The Bank has an option to redeem part or all of the bonds at face value in April 2024 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(x) The Tier-two capital bonds issued in April 2020 have a maturity of 10 years, with a fixed coupon rate of 3.10% payable annually. The Bank has an option to redeem part or all of the bonds at face value in May 2025 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xi) The Tier-two capital bonds issued in June 2022 have a maturity of 10 years, with a fixed coupon rate of 3.45% payable annually. The Bank has an option to redeem part or all of the bonds at face value in June 2027 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xii) The Tier-two capital bonds issued in September 2022 have a maturity of 10 years, with a fixed coupon rate of 3.03% payable annually. The Bank has an option to redeem part or all of the bonds at face value in September 2027 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xiii) The Tier-two capital bonds issued in March 2023 have a maturity of 10 years, with a fixed coupon rate of 3.49% payable annually. The Bank has an option to redeem part or all of the bonds at face value in March 2028 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xiv) The Tier-two capital bonds issued in September 2023 have a maturity of 10 years, with a fixed coupon rate of 3.25% payable annually. The Bank has an option to redeem part or all of the bonds at face value in September 2028 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xv) The Tier-two capital bonds issued in October 2023 have a maturity of 10 years, with a fixed coupon rate of 3.45% payable annually. The Bank has an option to redeem part or all of the bonds at face value in October 2028 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued)

(xvi) The Tier-two capital bonds issued in March 2019 have a maturity of 15 years, with a fixed coupon rate of 4.53% payable annually. The Bank has an option to redeem part or all of the bonds at face value in March 2029 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xvii) The Tier-two capital bonds issued in April 2019 have a maturity of 15 years, with a fixed coupon rate of 4.63% payable annually. The Bank has an option to redeem part or all of the bonds at face value in April 2029 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xviii) The Tier-two capital bonds issued in June 2022 have a maturity of 15 years, with a fixed coupon rate of 3.65% payable annually. The Bank has an option to redeem part or all of the bonds at face value in June 2032 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xix) The Tier-two capital bonds issued in September 2022 have a maturity of 15 years, with a fixed coupon rate of 3.34% payable annually. The Bank has an option to redeem part or all of the bonds at face value in September 2032 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xx) The Tier-two capital bonds issued in March 2023 have a maturity of 15 years, with a fixed coupon rate of 3.61% payable annually. The Bank has an option to redeem part or all of the bonds at face value in March 2033 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xxi) The Tier-two capital bonds issued in September 2023 have a maturity of 15 years, with a fixed coupon rate of 3.35% payable annually. The Bank has an option to redeem part or all of the bonds at face value in September 2033 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

(xxii) The Tier-two capital bonds issued in October 2023 have a maturity of 15 years, with a fixed coupon rate of 3.55% payable annually. The Bank has an option to redeem part or all of the bonds at face value in October 2033 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NFRA requirements.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued)

(xxiii) The medium term notes ("MTNs") were issued by the Overseas Operations of the Group and are measured at amortized cost. The details of MTNs issued were as follows:

	31 December 2023		
	Maturity dates ranging from	***Coupon rates (%)***	***Outstanding balance***
Fixed rate RMB MTNs	***March 2024 to September 2026***	***2.70–2.99***	***4,584***
Fixed rate HKD MTNs	***November 2025***	***4.75***	***1,359***
Fixed rate USD MTNs	***January 2024 to March 2027***	***0.70–2.25***	***35,400***
Floating rate USD MTNs	***August 2025***	***SOFR+50bps***	***7,071***
Total			***48,414***

	31 December 2022		
	Maturity dates ranging from	*Coupon rates (%)*	*Outstanding balance*
Fixed rate RMB MTNs	*May 2023 to April 2024*	*2.60–2.90*	*2,801*
Fixed rate HKD MTNs	*March 2023 to June 2023*	*0.50–0.66*	*4,906*
Fixed rate USD MTNs	*July 2023 to March 2027*	*0.70–2.25*	*46,982*
Floating rate USD MTNs	*November 2023*	*3 months Libor+66 to 85bps*	*2,089*
Fixed rate MOP MTNs	*August 2023*	*1.15*	*865*
Total			*57,643*

(xxiv) The fixed rate financial bonds issued by ABC in April 2020 have a maturity of 3 years, with a fixed coupon rate of 1.99%, payable annually. The bonds have expired in 21 April 2023.

(xxv) The fixed rate financial bonds issued by ABC in April 2021 have a maturity of 3 years, with a fixed coupon rate of 3.38%, payable annually.

(xxvi) The fixed rate financial bonds issued by ABC in June 2023 have a maturity of 3 years, with a fixed coupon rate of 2.65%, payable annually.

(xxvii) The fixed rate financial bonds issued by ABC Financial Leasing Co., Ltd. in November 2020 have a maturity of 3 years, with a fixed coupon rate of 3.90%, payable annually. The bonds have expired on 26 November 2023.

(xxviii) The fixed rate financial bonds issued by ABC Financial Leasing Co., Ltd. in August 2021 have a maturity of 3 years, with a fixed coupon rate of 3.06%, payable annually.

(xxix) The fixed rate financial bonds issued by ABC Financial Leasing Co., Ltd. in November 2023 have a maturity of 3 years, with a fixed coupon rate of 2.80%, payable annually.

(xxx) The fixed rate financial bonds issued by ABC Financial Asset Investment Co., Ltd. in March 2020 have a maturity of 3 years, with a fixed coupon rate of 2.68%, payable annually. The bonds have expired on 16 March 2023.

(xxxi) The fixed rate financial bonds issued by ABC Financial Asset Investment Co., Ltd. in September 2019 have a maturity of 5 years, with a fixed coupon rate of 3.40%, payable annually.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued)

(xxxii) The fixed rate financial bonds issued by ABC Financial Asset Investment Co., Ltd. in March 2020 have a maturity of 5 years, with a fixed coupon rate of 2.75%, payable annually.

(xxxiii) The fixed rate financial bonds issued by ABCI Investment Suzhou Corporation Limited in June 2020 have a maturity of 5 years, with a fixed coupon rate of 3.80%, payable annually. ABCI Investment Suzhou Corporation Limited has redeemed all of the bonds at face value on 20 June 2023.

(xxxiv) The fixed rate financial bonds issued by ABCI Investment Suzhou Corporation Limited in April 2021 have a maturity of 5 years, with a fixed coupon rate of 4.10%, payable annually.

(xxxv) The fixed rate financial bonds issued by ABCI China Investment Corporation Limited in June 2021 have a maturity of 5 years, with a fixed coupon rate of 3.80%, payable annually.

(xxxvi) The fixed rate capital replenishment bonds issued by ABC Life Insurance in March 2018 have a maturity of 10 years, with a fixed coupon rate of 5.55%, payable annually. ABC Life Insurance has redeemed all of the bonds at face value on 5 March 2023.

(xxxvii) The fixed rate capital replenishment bonds issued by ABC Life Insurance in March 2020 have a maturity of 10 years, with a fixed coupon rate of 3.60%, payable annually. ABC Life Insurance has an option to redeem all of the bonds at face value in March 2025. If ABC Life Insurance does not exercise this option, the coupon rate of the bonds would increase to 4.60% per annum from 30 March 2025 onwards.

(xxxviii) The fixed rate capital replenishment bonds issued by ABC Life Insurance in March 2023 have a maturity of 10 years, with a fixed coupon rate of 3.67%, payable annually. ABC Life Insurance has an option to redeem all of the bonds at face value in March 2028. If ABC Life Insurance does not exercise this option, the coupon rate of the bonds would increase to 4.67% per annum from 31 March 2028 onwards.

(2) As at 31 December 2023, the certificates of deposit were issued by the Overseas Operations of the Group and were measured at amortized cost. The terms of the certificates of deposit ranged from seven days to five years, with interest rates ranging from 0.00% to 6.06% per annum. (As at 31 December 2022, the terms of the certificates of deposit ranged from seven days to five years, with interest rates ranging from 0.00% to 5.85% per annum.)

(3) Other debt securities issued by the Group are commercial papers and interbank certificates of deposit.

(i) As at 31 December 2023, the commercial papers were issued by the Overseas Operations of the Group and were measured at amortized cost. The terms of the commercial papers ranged from one month to eight months, with interest rates ranging from 0.00% to 5.84% per annum. (As at 31 December 2022, the terms of the commercial papers ranged from two months to one year, with interest rates ranging from 0.00% to 3.37% per annum.)

(ii) As at 31 December 2023, the interbank certificates of deposit were issued by the Bank's Head Office. The terms of the interbank certificates of deposit ranged from one month to one year, with interest rates ranging from 2.18% to 2.75% per annum. (As at 31 December 2022, the terms of the interbank certificates of deposit ranged from two months to one year, with interest rates ranging from 0.00% to 5.81% per annum.)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 OTHER LIABILITIES

	Notes	As at 31 December 2023	2022
Insurance liabilities		**149,169**	123,978
Clearing and settlement		**96,067**	112,572
Staff costs payable	(1)	**78,601**	71,469
Income taxes payable		**39,523**	47,716
Provision	(2)	**43,674**	40,788
Lease liabilities	(3)	**11,699**	10,918
VAT and other taxes payable		**9,752**	8,418
Amount payable to the MOF		**302**	1,732
Others		**49,141**	60,635
Total		**477,928**	478,226

(1) Staff costs payable

	Notes	As at 31 December 2023	2022
Short-term employee benefits	(i)	**76,127**	68,820
Defined contribution benefits	(ii)	**1,937**	1,891
Early retirement benefits	(iii)	**537**	758
Total		**78,601**	71,469

(i) Short-term employee benefits

	Note	2023 1 January	Increase	Decrease	31 December
Salaries, bonuses, allowances and subsidies	(a)	**51,985**	**102,144**	**(95,964)**	**58,165**
Housing funds	(a)	**177**	**10,326**	**(10,383)**	**120**
Social insurance including:	(a)	**338**	**6,463**	**(6,480)**	**321**
— Medical insurance		**310**	**6,100**	**(6,116)**	**294**
— Maternity insurance		**15**	**189**	**(189)**	**15**
— Employment injury insurance		**13**	**174**	**(175)**	**12**
Labor union fees and staff education expenses		**10,698**	**3,885**	**(3,460)**	**11,123**
Others		**5,622**	**10,572**	**(9,796)**	**6,398**
Total		**68,820**	**133,390**	**(126,083)**	**76,127**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 OTHER LIABILITIES (Continued)

(1) Staff costs payable (Continued)

(i) Short-term employee benefits (Continued)

	Note	2022			
		1 January	Increase	Decrease	31 December
Salaries, bonuses, allowances and subsidies	(a)	42,785	96,704	(87,504)	51,985
Housing funds	(a)	137	9,821	(9,781)	177
Social insurance including:	(a)	446	6,083	(6,191)	338
— Medical insurance		418	5,735	(5,843)	310
— Maternity insurance		14	182	(181)	15
— Employment injury insurance		14	166	(167)	13
Labor union fees and staff education expenses		9,145	4,312	(2,759)	10,698
Others		4,749	11,392	(10,519)	5,622
Total		57,262	128,312	(116,754)	68,820

(a) Salaries, bonuses, allowances and subsidies, housing funds and social insurance are timely distributed and paid in accordance with relevant laws and regulations and the Group's policy.

(ii) Defined contribution benefits

	2023			
	1 January	**Increase**	**Decrease**	**31 December**
Basic pensions	**628**	**11,973**	**(11,994)**	**607**
Unemployment insurance	**64**	**415**	**(434)**	**45**
Annuity Scheme	**1,199**	**8,051**	**(7,965)**	**1,285**
Total	**1,891**	**20,439**	**(20,393)**	**1,937**

	2022			
	1 January	Increase	Decrease	31 December
Basic pensions	694	11,283	(11,349)	628
Unemployment insurance	40	366	(342)	64
Annuity Scheme	652	7,620	(7,073)	1,199
Total	1,386	19,269	(18,764)	1,891

The defined contribution benefits are timely distributed and paid in accordance with relevant laws and regulations and the Group's policy. There was no forfeited contribution available to reduce the contribution payable by the Group under the above schemes.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 OTHER LIABILITIES (Continued)

(1) *Staff costs payable (Continued)*

(iii) *Early retirement benefits*

	2023			
	1 January	Increase	Decrease	31 December
Early retirement benefits	758	13	(234)	537

	2022			
	1 January	Increase	Decrease	31 December
Early retirement benefits	1,088	38	(368)	758

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	As at 31 December	
	2023	2022
Discount rate	2.39%	2.50%
Annual average medical expense growth rate	8.00%	8.00%
Annual subsidies growth rate	8.00%	8.00%
Normal retirement age		
— Male	60	60
— Female	55	55

Assumptions regarding future mortality experience are based on the China Life Insurance Mortality Table (published historical statistics in China).

Any difference arising from the actual result or changes in assumptions may affect the amount of expense recognized in the consolidated statement of profit or loss.

(2) *Provision*

	Note	As at 31 December	
		2023	2022
Loan commitments and financial guarantee contracts	(i)	27,485	28,051
Litigation provision		5,629	5,317
Others		10,560	7,420
Total		43,674	40,788

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 OTHER LIABILITIES (Continued)

(2) Provision (Continued)

(i) Analyzed by movements in loss allowance for loan commitments and financial guarantee contracts

	Note	Year ended 31 December 2023			
		Stage I 12 months ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Total
1 January 2023		**25,637**	**1,061**	**1,353**	**28,051**
Transfer:					
Stage I transfer to Stage II		**(187)**	**187**	**–**	**–**
Stage II transfer to Stage III		**–**	**(139)**	**139**	**–**
Stage II transfer to Stage I		**121**	**(121)**	**–**	**–**
Stage III transfer to Stage II		**–**	**564**	**(564)**	**–**
Increase	(a)	**17,703**	**–**	**–**	**17,703**
Remeasurement		**(4,632)**	**937**	**215**	**(3,480)**
Decrease	(a)	**(13,430)**	**(650)**	**(709)**	**(14,789)**
31 December 2023		**25,212**	**1,839**	**434**	**27,485**

	Note	Year ended 31 December 2022			
		Stage I 12 months ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Total
1 January 2022		18,333	651	1,287	20,271
Transfer:					
Stage I transfer to Stage II		(113)	113	–	–
Stage II transfer to Stage III		–	(133)	133	–
Stage II transfer to Stage I		122	(122)	–	–
Stage III transfer to Stage II		–	97	(97)	–
Increase	(a)	11,600	–	–	11,600
Remeasurement		4,045	1,294	479	5,818
Decrease	(a)	(8,350)	(839)	(449)	(9,638)
31 December 2022		25,637	1,061	1,353	28,051

(a) The impact of loss allowance driven by new loan commitments and financial guarantee contracts signed in 2023 and 2022 is disclosed as "Increase". The impact of loss allowance driven by withdrawals, advances or expiration of loan commitments and financial guarantee contracts in 2023 and 2022 are disclosed as "Decrease". The changes of loss allowance for loan commitments and financial guarantee contracts in 2023 are mainly driven by the decrease of provision ratio. The changes of loss allowance for loan commitments and financial guarantee contracts in 2022 are mainly driven by the net increase in the exposure of loan commitments and financial guarantee contracts and the increase of provision ratio.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 OTHER LIABILITIES (Continued)

(3) Lease liabilities

The tables below summarize the maturity analysis of lease liabilities:

	As at 31 December	
	2023	2022
Less than 1 year	**3,996**	3,710
1–5 years	**7,174**	6,931
Over 5 years	**1,290**	1,070
Total undiscounted lease liabilities	**12,460**	11,711
Lease liabilities	**11,699**	10,918

32 ORDINARY SHARES

	31 December 2023	
	Number of shares (millions)	**Nominal value**
Domestic listed A shares, par value RMB1.00 per share	**319,244**	**319,244**
Overseas listed H shares, par value RMB1.00 per share	**30,739**	**30,739**
Total	**349,983**	**349,983**

	31 December 2022	
	Number of shares (millions)	Nominal value
Domestic listed A shares, par value RMB1.00 per share	319,244	319,244
Overseas listed H shares, par value RMB1.00 per share	30,739	30,739
Total	349,983	349,983

(1) A shares refer to the ordinary shares listed in the Chinese mainland. They are offered and traded in RMB. H shares refer to the ordinary shares listed in Hong Kong SAR. Their par value is denominated in RMB when they were initially offered and are currently traded in HKD.

(2) As at 31 December 2023, the Bank's A Shares and H Shares were not subject to lock-up restriction. As at 31 December 2022, the Bank's A Shares and H Shares were not subject to lock-up restriction, except for the RMB19,960 million ordinary shares (A shares) issued through the private placement in June 2018. As at 3 July 2023, the above RMB19,960 million ordinary shares held subject to restrictions on sales became tradable in the market.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 OTHER EQUITY INSTRUMENTS

Financial instruments outstanding		Dividend rate/ interest rate	Issued price (RMB yuan)	Issued number of shares (millions)	Issued nominal value (millions)	Maturity date	Conversion
Preference shares — first tranche[1]		6.00% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	No conversion during the period
Preference shares — second tranche[1]		5.50% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	No conversion during the period
Perpetual bonds	Undated tier 1 capital bonds in 2019 — first tranche[2]	4.39% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	850	85,000	No maturity date	N/A
	Undated tier 1 capital bonds in 2019 — second tranche[2]	4.20% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	350	35,000	No maturity date	N/A
	Undated tier 1 capital bonds in 2020 — first tranche[2]	3.48% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	850	85,000	No maturity date	N/A
	Undated tier 1 capital bonds in 2020 — second tranche[2]	4.50% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	350	35,000	No maturity date	N/A
	Undated tier 1 capital bonds in 2021 — first tranche[2]	3.76% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	N/A
	Undated tier 1 capital bonds in 2022 — first tranche[2]	3.49% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	500	50,000	No maturity date	N/A
	Undated tier 1 capital bonds in 2022 — second tranche[2]	3.17% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	300	30,000	No maturity date	N/A
	Undated tier 1 capital bonds in 2023 — first tranche[2]	3.21% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	N/A

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 OTHER EQUITY INSTRUMENTS (Continued)

(*1*) *The Bank was authorized to issue no more than 800 million preference shares of RMB100 each, pursuant to the approval by its ordinary equity holders and relevant regulatory authorities.*

The first tranche of 400 million preference shares was issued at par in November 2014. The first tranche of preference shares bears a dividend rate of 6.00% per annum; dividends are non-cumulative and where payable, are paid annually, for the first five years from issuance. The dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.29%. The first five-year dividend period expired on 1 November 2019. During the second dividend period beginning from 5 November 2019, the base rate and fixed premium is 3.03% and 2.29%, respectively, and the coupon rate is 5.32%. The dividend is paid annually.

The second tranche of 400 million preference shares was issued at par in March 2015. The second tranche of preference shares bears a dividend rate of 5.50% per annum; dividends are non-cumulative and where payable, are paid annually, for the first five years from issuance. The dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.24%. The first five-year dividend period expired on 6 March 2020. During the second dividend period beginning from 11 March 2020, the base rate and fixed premium is 2.60% and 2.24%, respectively, and the coupon rate is 4.84%. The dividend is paid annually.

As authorized by the ordinary equity holders in the annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. The Bank shall not distribute any dividends to its ordinary equity holders before it declares such dividends to preference shareholders for the relevant period. The distribution of preference shares dividend is at the Bank's discretion and is non-cumulative. Preference shareholders are not entitled to participate in the distribution of retained earnings except for the dividends stated above.

The Bank has a redemption option when specified conditions as stipulated in the offering documents are met, subject to regulatory approval, whereas preference shareholders have no right to request the Bank to redeem the preference shares.

Upon liquidation, the claims of preference shareholders have priority over ordinary equity holders on the residual assets of the Bank, but are subordinated to those of depositors, general creditors, Tier-two Capital Instruments holders or any other subordinated debt holders with equivalent rights.

Upon occurrence of the triggering events as stipulated in paragraph 2(1) of the Guidance of the NFRA on Amendments to Commercial Banks' Innovation on Capital Instruments (NFRA No. 42 [2019]) and subject to regulatory approval, the first tranche of preference shares and the second tranche of preference shares shall be mandatorily converted into ordinary A shares of the Bank at the conversion price agreed, partially or entirely. The initial conversion price of the preference shares issued by the Bank was RMB2.43 per share. In June 2018, the Bank has issued 25,189 million ordinary A shares to specific investors. The conversion price of the preference shares will be adjusted where certain events occur including bonus issues, rights issue, capitalization of reserves and new issuances of ordinary shares, subject to terms and formulas provided in the offering documents, to maintain the relative interests between preference shareholders and ordinary equity holders. Upon completion of the private placement of ordinary shares by the Bank, the mandatory conversion price of the first tranche of preference shares and the second tranche of preference shares issued by the Bank will be adjusted from RMB2.43 per share to RMB2.46 per share.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 OTHER EQUITY INSTRUMENTS (Continued)

(1) The Bank was authorized to issue no more than 800 million preference shares of RMB100 each, pursuant to the approval by its ordinary equity holders and relevant regulatory authorities. (Continued)

These preference shares are classified as equity instruments, and presented as equity in the consolidated statement of financial position, and are qualified as Additional Tier-one Capital Instruments in accordance with the NFRA requirements.

The carrying amount of the preference shares issued by the Bank, net of direct issuance expenses, was RMB79,899 million as at 31 December 2023 (31 December 2022: RMB79,899 million).

(2) Perpetual bonds, as shown in the balance sheet, are capital bonds with no fixed maturity issued by the Bank.

With the approval from the annual general meeting and regulatory authorities, the Bank was permitted to issue undated additional tier 1 capital bonds ("Perpetual bonds" or the "Bonds") of an amount no more than RMB120 billion in 2019.

The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB85 billion in the national interbank bond market on 16 August 2019, and the issuance was completed on 20 August 2019. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 4.39%.

The Bank issued undated additional tier 1 capital bonds (second tranche) with the amount of RMB35 billion in the national interbank bond market on 3 September 2019, and the issuance was completed on 5 September 2019. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 4.20%.

With the approval from the annual general meeting and regulatory authorities, the Bank was granted to issue undated additional tier 1 capital bonds of an amount no more than RMB120 billion in 2020.

The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB85 billion in the national interbank bond market on 8 May 2020, and the issuance was completed on 12 May 2020. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.48%.

The Bank issued undated additional tier 1 capital bonds (second tranche) with the amount of RMB35 billion in the national interbank bond market on 20 August 2020, and the issuance was completed on 24 August 2020. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 4.50%.

With the approval from the annual general meeting and regulatory authorities, the Bank was granted to issue undated additional tier 1 capital bonds of an amount no more than RMB120 billion in 2021.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 OTHER EQUITY INSTRUMENTS (Continued)

(2) Perpetual bonds, as shown in the balance sheet, are capital bonds with no fixed maturity issued by the Bank. (Continued)

The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB40 billion in the national interbank bond market on 12 November 2021, and the issuance was completed on 16 November 2021. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.76%.

The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB50 billion in the national interbank bond market on 18 February 2022, and the issuance was completed on 22 February 2022. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.49%.

The Bank issued undated additional tier 1 capital bonds (second tranche) with the amount of RMB30 billion in the national interbank bond market on 1 September 2022, and the issuance was completed on 5 September 2022. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.17%.

With the approval from the annual general meeting and regulatory authorities, the Bank was granted to issue undated additional tier 1 capital bonds of an amount no more than RMB200 billion in 2023.

The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB40 billion in the national interbank bond market on 24 August 2023, and the issuance was completed on 28 August 2023. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.21%.

The duration of the Perpetual bonds is the same as the continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the NFRA, the Bank may redeem the Bonds in whole or in part on each distribution payment date from the fifth anniversary since the issuance date of the Bonds. Upon the occurrence of a trigger event for write-downs, with the approval of the NFRA and without the need for the consent of the holders of the Bonds, the Bank has the right to write down all or part of the aggregate amount of the Bonds then issued and outstanding. The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated indebtedness that ranks senior to the Bonds; and shall rank in priority to all classes of shares held by shareholders and will 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 distributions on the Perpetual bonds are non-cumulative. The Bank shall have the right to cancel distributions on the Bonds in whole or in part and any such cancellation shall not constitute an event of default. The Bank may at its discretion use the proceeds from the cancelled distribution to meet other obligations as they fall due. But the Bank shall not make any distribution to ordinary shareholders until its decision to resume the distribution payments in whole to the holders of the Bonds.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 OTHER EQUITY INSTRUMENTS (Continued)

(2) Perpetual bonds, as shown in the balance sheet, are capital bonds with no fixed maturity issued by the Bank. (Continued)

The net proceeds from the issuance of the Perpetual bonds were used to replenish the Bank's additional tier 1 capital.

The carrying amount of the undated additional tier 1 capital bonds issued by the Bank, net of direct issuance expenses, was RMB399,968 million as at 31 December 2023 (31 December 2022: RMB359,970 million).

34 CAPITAL RESERVE

The capital reserve mainly represents the premium related to ordinary shares publicly issued by the Bank in 2010 and private placement of ordinary shares to the specific shareholders in 2018. Share premium was recorded in the capital reserve after deducting direct issuance expenses, which consisted primarily of underwriting fees and professional fees.

35 OTHER COMPREHENSIVE INCOME

	2023		
	Gross carrying amount	Tax effect	Net effect
31 December 2022	47,542	(11,655)	35,887
Changes in accounting policies	665	(157)	508
1 January 2023	48,207	(11,812)	36,395
Fair value changes on debt instruments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	16,153	(4,117)	12,036
— Amount removed from other comprehensive income and recognized in profit or loss	(521)	130	(391)
Loss allowance on debt instruments at fair value through other comprehensive income	(8,821)	2,488	(6,333)
Fair value changes on other equity investments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	612	(167)	445
— Transferred to retained earnings	(1)	–	(1)
Foreign currency translation reserve	766	–	766
Others	(1,881)	470	(1,411)
31 December 2023	54,514	(13,008)	41,506

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35 OTHER COMPREHENSIVE INCOME (Continued)

	2022		
	Gross carrying amount	Tax effect	Net effect
31 December 2021	44,313	(11,482)	32,831
Changes in accounting policies	(1,169)	292	(877)
1 January 2022	43,144	(11,190)	31,954
Fair value changes on debt instruments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	(15,523)	3,749	(11,774)
— Amount removed from other comprehensive income and recognized in profit or loss	(434)	109	(325)
Loss allowance on debt instruments at fair value through other comprehensive income	16,838	(4,407)	12,431
Fair value changes on other equity investments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	128	(33)	95
Foreign currency translation reserve	3,857	–	3,857
Others	(468)	117	(351)
31 December 2022	47,542	(11,655)	35,887

36 SURPLUS RESERVE

Under PRC Law, the Bank is required to transfer 10% of its net profit determined under the PRC GAAP to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of this reserve has reached 50% of share capital. Pursuant to the resolution of the Board of Directors' Meeting held on 28 March 2024, an appropriation of 10% of the profit for the current year, determined under the generally accepted accounting principles of the PRC, to the statutory surplus reserve, in the amount of RMB26,240 million (2022: RMB25,309 million) was approved. In addition, certain subsidiaries and overseas branches also appropriated surplus reserves in accordance with local requirements.

Subject to the approval of the ordinary equity holders, the statutory surplus reserves can be used for replenishing accumulated losses or increasing the Bank's ordinary share capital. The statutory surplus reserves amount used to increase the ordinary share capital is limited to a level where the balance of the statutory surplus reserves after such capitalization is not less than 25% of the ordinary share capital.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37 GENERAL RESERVE

Pursuant to Caijin [2012] No. 20 "Requirements on Impairment Allowance for Financial Institutions" (the "Requirement") issued by the MOF, effective on 1 July 2012, in addition to impairment allowance, the Bank establishes a general reserve within ordinary equity holders' equity through the appropriation of profit to address unidentified potential losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement. The general reserve includes regulatory reserve appropriated by the Bank's overseas branches pursuant to local regulatory requirements.

Pursuant to relevant PRC domestic regulatory requirements, some domestic subsidiaries of the Bank are required to appropriate certain amounts of their net profit as general reserves.

During the year ended 31 December 2023, the Group transferred RMB67,600 million (2022: RMB36,984 million) to the General Reserve pursuant to the regulatory requirements in the PRC and overseas jurisdictions. Of this amount, RMB67,557 million (2022: RMB32,221 million) related to the appropriation proposed for the year ended 31 December 2022 which was approved in the annual general meeting held on 29 June 2023.

On 28 March 2024, the Board of Directors' meeting approved a proposal of appropriation of RMB75,629 million to general reserve. Such appropriation will be recognized in the Group's consolidated financial statements after approval by ordinary equity holders in the forthcoming annual general meeting.

38 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include the following balances with an original maturity of three months or less:

	As at 31 December	
	2023	2022
Cash	**71,140**	67,180
Balance with central banks	**338,123**	169,295
Deposits with banks and other financial institutions	**156,452**	145,374
Placements with and loans to banks and other financial institutions	**143,220**	172,663
Financial assets held under resale agreements	**1,803,790**	1,151,121
Total	**2,512,725**	1,705,633

39 OPERATING SEGMENTS

Operating segments are identified on the basis of internal organizational structure, management requirements and internal management reporting rules of the Group that are regularly reviewed by the Board and relevant management committees, which constitute the chief operating decision makers, for the purposes of allocating resources to segments and assessing their performance. The Group's chief operating decision makers review three different sets of financial information based on (i) geographical locations, (ii) business activities and (iii) County Area and Urban Area banking business.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

The measurement of segment assets and liabilities, as well as segment revenue, expense and results are based on the Group's accounting policies. There is no difference between the accounting policies used in the preparation of the consolidated financial statements and those used in preparing the operating segment information.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment.

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Geographical operating segments

The details of the geographical operating segments are as follows:

Head Office	
Yangtze River Delta:	Shanghai, Jiangsu, Zhejiang, Ningbo
Pearl River Delta:	Guangdong, Shenzhen, Fujian, Xiamen
Bohai Rim:	Beijing, Tianjin, Hebei, Shandong, Qingdao
Central China:	Shanxi, Hubei, Henan, Hunan, Jiangxi, Hainan, Anhui
Western China:	Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang (including Xinjiang Production and Construction Corps Branch), Tibet, Inner Mongolia, Guangxi
Northeastern China:	Liaoning, Heilongjiang, Jilin, Dalian
Overseas and Others:	Subsidiaries and overseas branches

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

Geographical operating segments (Continued)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
For the year ended 31 December 2023										
External interest income	397,593	200,502	132,037	108,658	132,866	179,421	23,223	49,398	–	1,223,698
External interest expense	(90,200)	(142,182)	(85,091)	(96,130)	(82,364)	(88,601)	(25,613)	(41,767)	–	(651,948)
Inter-segment net interest (expense)/income	(382,914)	90,684	55,519	85,900	66,662	58,628	26,476	(955)	–	–
Net interest income	(75,521)	149,004	102,465	98,428	117,164	149,448	24,086	6,676	–	571,750
Fee and commission income	39,613	13,708	10,710	7,998	8,291	10,646	1,581	2,163	–	94,710
Fee and commission expense	(4,179)	(2,255)	(1,940)	(1,405)	(2,164)	(1,977)	(432)	(265)	–	(14,617)
Net fee and commission income	35,434	11,453	8,770	6,593	6,127	8,669	1,149	1,898	–	80,093
Net trading gain	19,723	318	47	52	31	84	21	2,848	–	23,124
Net gain/(loss) on financial investments	9,687	(26)	(234)	(337)	(95)	(1,245)	(158)	9,172	–	16,764
Net gain on derecognition of financial assets measured at amortized cost	1,019	–	–	–	–	–	–	19	–	1,038
Other operating (expenses)/income	(5,912)	1,146	708	667	542	1,447	141	3,960	–	2,699
Operating income	(15,570)	161,895	111,756	105,403	123,769	158,403	25,239	24,573	–	695,468
Operating expenses	(17,486)	(42,981)	(30,754)	(35,379)	(42,790)	(57,153)	(15,183)	(10,579)	–	(252,305)
Credit impairment reversal/(losses)	2,259	(33,117)	(28,405)	(13,904)	(25,486)	(32,508)	(3,619)	(927)	–	(135,707)
Impairment losses on other assets	–	–	–	(6)	(3)	(152)	(7)	(58)	–	(226)
Operating (loss)/profit	(30,797)	85,797	52,597	56,114	55,490	68,590	6,430	13,009	–	307,230
Share of results of associates and joint ventures	62	–	–	–	–	–	–	127	–	189
(Loss)/profit before tax	(30,735)	85,797	52,597	56,114	55,490	68,590	6,430	13,136	–	307,419
Income tax expense										(37,599)
Profit for the year										269,820
Depreciation and amortization included in operating expenses	3,191	3,322	2,424	3,306	3,565	4,332	1,205	276	–	21,621
Capital expenditure	5,896	4,403	1,132	1,747	2,766	4,324	601	4,618	–	25,487
As at 31 December 2023										
Segment assets	7,558,728	8,474,485	5,518,775	7,096,125	5,829,445	7,199,820	1,702,189	1,324,190	(4,991,518)	39,712,239
Including: Investment in associates and joint ventures	2,151	–	–	–	–	–	–	6,235	–	8,386
Unallocated assets										160,750
Total assets										39,872,989
Including: Non-current assets (1)	22,161	31,104	19,109	29,538	28,509	43,033	9,911	28,814	–	212,179
Segment liabilities	(4,656,956)	(8,489,977)	(5,527,881)	(7,115,660)	(5,869,208)	(7,268,814)	(1,714,337)	(1,285,316)	4,991,564	(36,936,585)
Unallocated liabilities										(39,537)
Total liabilities										(36,976,122)
Loan commitments and financial guarantee contracts	6,248	764,394	516,437	522,572	425,483	414,311	96,407	109,913	–	2,855,765

(1) Non-current assets include property and equipment, investment properties, right-of-use assets, land use rights, intangible assets and other long-term assets.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

Geographical operating segments (Continued)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
For the year ended 31 December 2022										
External interest income	340,481	185,872	126,792	106,041	125,092	172,289	23,777	28,120	–	1,108,464
External interest expense	(74,888)	(113,455)	(61,901)	(83,036)	(69,369)	(76,645)	(22,675)	(16,612)	–	(518,581)
Inter-segment net interest (expense)/income	(324,776)	75,809	39,376	75,998	58,671	53,819	23,288	(2,185)	–	–
Net interest income	(59,183)	148,226	104,267	99,003	114,394	149,463	24,390	9,323	–	589,883
Fee and commission income	38,434	13,864	10,132	8,739	8,383	10,694	1,880	3,392	–	95,518
Fee and commission expense	(3,449)	(2,532)	(1,907)	(1,488)	(2,094)	(2,004)	(435)	(327)	–	(14,236)
Net fee and commission income	34,985	11,332	8,225	7,251	6,289	8,690	1,445	3,065	–	81,282
Net trading gain/(loss)	7,968	(141)	(11)	23	23	43	14	(2,400)	–	5,519
Net gain/(loss) on financial investments	4,159	(211)	(299)	(165)	24	(3,005)	(40)	5,446	–	5,909
Net gain on derecognition of financial assets measured at amortized cost	154	–	–	–	–	–	–	6	–	160
Other operating (expenses)/income	(207)	1,642	980	641	828	1,114	189	7,343	–	12,530
Operating income	(12,124)	160,848	113,162	106,753	121,558	156,305	25,998	22,783	–	695,283
Operating expenses	(15,377)	(41,206)	(29,738)	(34,422)	(41,175)	(56,358)	(14,865)	(10,430)	–	(243,571)
Credit impairment reversal/(losses)	8,135	(17,916)	(20,160)	(9,983)	(30,566)	(66,701)	(6,050)	(2,025)	–	(145,266)
Impairment reversal/(losses) on other assets	–	–	–	7	(19)	(30)	(5)	(12)	–	(59)
Operating (loss)/profit	(19,366)	101,726	63,264	62,355	49,798	33,216	5,078	10,316	–	306,387
Share of results of associates and joint ventures	56	–	–	–	–	–	–	10	–	66
(Loss)/profit before tax	(19,310)	101,726	63,264	62,355	49,798	33,216	5,078	10,326	–	306,453
Income tax expense										(47,587)
Profit for the year										258,866
Depreciation and amortization included in operating expenses	2,338	3,242	2,641	3,235	3,322	4,373	1,193	401	–	20,745
Capital expenditure	5,518	1,656	1,555	2,509	3,813	4,672	734	2,405	–	22,862
As at 31 December 2022										
Segment assets	6,499,065	7,213,176	4,496,584	6,166,474	4,953,791	6,386,015	1,470,623	1,241,216	(4,651,386)	33,775,558
Including: Investment in associates and joint ventures	2,105	–	–	–	–	–	–	5,987	–	8,092
Unallocated assets										149,930
Total assets										33,925,488
Including: Non-current assets (1)	19,786	28,599	17,393	30,071	30,283	43,660	11,297	24,889	–	205,978
Segment liabilities	(3,689,997)	(7,285,870)	(4,489,449)	(6,189,612)	(4,991,794)	(6,448,867)	(1,480,796)	(1,279,004)	4,651,386	(31,204,003)
Unallocated liabilities										(47,725)
Total liabilities										(31,251,728)
Loan commitments and financial guarantee contracts	13,308	640,617	420,037	454,542	356,150	353,388	75,901	98,450	–	2,412,393

(1) Non-current assets include property and equipment, investment properties, right-of-use assets, land use rights, intangible assets and other long-term assets.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

Business operating segments

The details of the business operating segments are as follows:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The range of products and services includes corporate loans and advances, trade finance, deposit products, corporate wealth management services and other types of corporate intermediary services.

Personal banking

The personal banking segment provides financial products and services to individual customers. The range of products and services includes personal loans, personal deposit, card business, personal wealth management services and other types of personal intermediary services.

Treasury operations

The Group's treasury operations conduct money market and repurchase transactions, debt instruments investments, precious metal transactions and derivative transactions for its own accounts or on behalf of customers.

Others

Others comprise components of the Group that are not attributable to any of the above segments, along with certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

***Business operating segments** (Continued)*

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the year ended 31 December 2023					
External interest income	**473,888**	**334,386**	**407,274**	**8,150**	**1,223,698**
External interest expense	**(217,604)**	**(270,601)**	**(158,505)**	**(5,238)**	**(651,948)**
Inter-segment net interest (expense)/income	**(36,887)**	**276,058**	**(239,171)**	**–**	**–**
Net interest income	**219,397**	**339,843**	**9,598**	**2,912**	**571,750**
Fee and commission income	**59,445**	**31,114**	**693**	**3,458**	**94,710**
Fee and commission expense	**(6,873)**	**(7,261)**	**(44)**	**(439)**	**(14,617)**
Net fee and commission income	**52,572**	**23,853**	**649**	**3,019**	**80,093**
Net trading gain	**–**	**–**	**23,688**	**(564)**	**23,124**
Net (loss)/gain on financial investments	**(1,943)**	**(81)**	**9,616**	**9,172**	**16,764**
Net gain on derecognition of financial assets measured at amortized cost	**–**	**–**	**1,019**	**19**	**1,038**
Other operating income/(expenses)	**1,498**	**1,222**	**(5,356)**	**5,335**	**2,699**
Operating income	**271,524**	**364,837**	**39,214**	**19,893**	**695,468**
Operating expenses	**(81,675)**	**(130,482)**	**(29,268)**	**(10,880)**	**(252,305)**
Credit impairment (losses)/reversal	**(100,615)**	**(41,347)**	**6,188**	**67**	**(135,707)**
Impairment losses on other assets	**(181)**	**(3)**	**–**	**(42)**	**(226)**
Operating profit/(loss)	**89,053**	**193,005**	**16,134**	**9,038**	**307,230**
Share of results of associates and joint ventures	**–**	**–**	**–**	**189**	**189**
Profit/(loss) before tax	**89,053**	**193,005**	**16,134**	**9,227**	**307,419**
Income tax expense					**(37,599)**
Profit for the year					**269,820**
Depreciation and amortization included in operating expenses	**5,521**	**11,549**	**4,220**	**331**	**21,621**
Capital expenditure	**4,482**	**11,484**	**4,902**	**4,619**	**25,487**
As at 31 December 2023					
Segment assets	**13,958,729**	**8,025,832**	**17,257,302**	**470,376**	**39,712,239**
Including: Investment in associates and joint ventures	**–**	**–**	**–**	**8,386**	**8,386**
Unallocated assets					**160,750**
Total assets					**39,872,989**
Segment liabilities	**(11,715,620)**	**(17,803,059)**	**(7,042,912)**	**(374,994)**	**(36,936,585)**
Unallocated liabilities					**(39,537)**
Total liabilities					**(36,976,122)**
Loan commitments and financial guarantee contracts	**1,946,877**	**908,888**	**–**	**–**	**2,855,765**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

***Business operating segments** (Continued)*

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the year ended 31 December 2022					
External interest income	417,689	343,674	339,641	7,460	1,108,464
External interest expense	(160,818)	(239,481)	(115,219)	(3,063)	(518,581)
Inter-segment net interest (expense)/income	(29,880)	224,630	(194,750)	–	–
Net interest income	226,991	328,823	29,672	4,397	589,883
Fee and commission income	57,633	32,256	905	4,724	95,518
Fee and commission expense	(7,470)	(6,466)	(44)	(256)	(14,236)
Net fee and commission income	50,163	25,790	861	4,468	81,282
Net trading gain/(loss)	–	–	6,707	(1,188)	5,519
Net (loss)/gain on financial investments	(741)	(254)	1,326	5,578	5,909
Net gain on derecognition of financial assets measured at amortized cost	–	–	154	6	160
Other operating income	1,131	989	5,716	4,694	12,530
Operating income	277,544	355,348	44,436	17,955	695,283
Operating expenses	(86,066)	(123,520)	(24,248)	(9,737)	(243,571)
Credit impairment (losses)/reversal	(101,917)	(45,775)	2,814	(388)	(145,266)
Impairment losses on other assets	(47)	–	–	(12)	(59)
Operating profit	89,514	186,053	23,002	7,818	306,387
Share of results of associates and joint ventures	–	–	–	66	66
Profit before tax	89,514	186,053	23,002	7,884	306,453
Income tax expense					(47,587)
Profit for the year					258,866
Depreciation and amortization included in operating expenses	5,707	10,987	3,662	389	20,745
Capital expenditure	4,835	11,204	4,418	2,405	22,862
As at 31 December 2022					
Segment assets	11,695,117	7,512,287	14,162,923	405,231	33,775,558
Including: Investment in associates and joint ventures	–	–	–	8,092	8,092
Unallocated assets					149,930
Total assets					33,925,488
Segment liabilities	(9,945,976)	(15,451,979)	(5,469,192)	(336,856)	(31,204,003)
Unallocated liabilities					(47,725)
Total liabilities					(31,251,728)
Loan commitments and financial guarantee contracts	2,308,207	104,186	–	–	2,412,393

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments

The Group's operating segments organized by County Area and Urban Area banking business are set out as follows:

County Area banking business

The Group's County Area banking business provides a broad range of financial products and services to customers in designated County Area, through its operating branches in the counties or county-level cities throughout the PRC. The products and services mainly comprise loans, deposits, bank cards, and other types of intermediary services.

Urban Area banking business

The Group's Urban Area banking business comprises all banking activities outside of the County Area banking business, overseas branches and subsidiaries.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments *(Continued)*

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
For the year ended 31 December 2023				
External interest income	**316,890**	**906,808**	**–**	**1,223,698**
External interest expense	**(196,647)**	**(455,301)**	**–**	**(651,948)**
Inter-segment net interest income/(expense)	**174,218**	**(174,218)**	**–**	**–**
Net interest income	**294,461**	**277,289**	**–**	**571,750**
Fee and commission income	**38,726**	**55,984**	**–**	**94,710**
Fee and commission expense	**(6,051)**	**(8,566)**	**–**	**(14,617)**
Net fee and commission income	**32,675**	**47,418**	**–**	**80,093**
Net trading (loss)/gain	**(648)**	**23,772**	**–**	**23,124**
Net (loss)/gain on financial investments	**(51)**	**16,815**	**–**	**16,764**
Net gain on derecognition of financial assets measured at amortized cost	**–**	**1,038**	**–**	**1,038**
Other operating income/(expense)	**5,174**	**(2,475)**	**–**	**2,699**
Operating income	**331,611**	**363,857**	**–**	**695,468**
Operating expenses	**(117,196)**	**(135,109)**	**–**	**(252,305)**
Credit impairment losses	**(61,821)**	**(73,886)**	**–**	**(135,707)**
Impairment losses on other assets	**(45)**	**(181)**	**–**	**(226)**
Operating profit	**152,549**	**154,681**	**–**	**307,230**
Share of results of associates and joint ventures	**–**	**189**	**–**	**189**
Profit before tax	**152,549**	**154,870**	**–**	**307,419**
Income tax expense				**(37,599)**
Profit for the year				**269,820**
Depreciation and amortization included in operating expenses	**8,805**	**12,816**	**–**	**21,621**
Capital expenditure	**4,655**	**20,832**	**–**	**25,487**
As at 31 December 2023				
Segment assets	**13,702,772**	**26,178,127**	**(168,660)**	**39,712,239**
Including: Investment in associates and joint ventures	**–**	**8,386**	**–**	**8,386**
Unallocated assets				**160,750**
Total assets				**39,872,989**
Segment liabilities	**(12,735,059)**	**(24,370,186)**	**168,660**	**(36,936,585)**
Unallocated liabilities				**(39,537)**
Total liabilities				**(36,976,122)**
Loan commitments and financial guarantee contracts	**1,016,655**	**1,839,110**	**–**	**2,855,765**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

***County Area and Urban Area segments** (Continued)*

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
For the year ended 31 December 2022				
External interest income	291,067	817,397	–	1,108,464
External interest expense	(165,864)	(352,717)	–	(518,581)
Inter-segment net interest income/(expense)	158,544	(158,544)	–	–
Net interest income	283,747	306,136	–	589,883
Fee and commission income	37,779	57,739	–	95,518
Fee and commission expense	(5,986)	(8,250)	–	(14,236)
Net fee and commission income	31,793	49,489	–	81,282
Net trading (loss)/gain	(1,990)	7,509	–	5,519
Net (loss)/gain on financial investments	(211)	6,120	–	5,909
Net gain on derecognition of financial assets measured at amortized cost	–	160	–	160
Other operating income	4,441	8,089	–	12,530
Operating income	317,780	377,503	–	695,283
Operating expenses	(115,112)	(128,459)	–	(243,571)
Credit impairment losses	(71,334)	(73,932)	–	(145,266)
Impairment losses on other assets	(17)	(42)	–	(59)
Operating profit	131,317	175,070	–	306,387
Share of results of associates and joint ventures	–	66	–	66
Profit before tax	131,317	175,136	–	306,453
Income tax expense				(47,587)
Profit for the year				258,866
Depreciation and amortization included in operating expenses	8,291	12,454	–	20,745
Capital expenditure	6,012	16,850	–	22,862
As at 31 December 2022				
Segment assets	12,003,909	22,157,816	(386,167)	33,775,558
Including: Investment in associates and joint ventures	–	8,092	–	8,092
Unallocated assets				149,930
Total assets				33,925,488
Segment liabilities	(11,093,700)	(20,496,470)	386,167	(31,204,003)
Unallocated liabilities				(47,725)
Total liabilities				(31,251,728)
Loan commitments and financial guarantee contracts	815,000	1,597,393	–	2,412,393

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS

(1) The Group and the MOF

As at 31 December 2023, the MOF directly owned 35.29% (31 December 2022: 35.29%) of the ordinary shares of the Bank.

The MOF is a Chinese government ministry, primarily responsible for managing state fiscal revenue and expenditure, and establishing and enforcing taxation policies. It reports to the Chinese State Council.

The Group enters into transactions with the MOF in its ordinary course of business under normal commercial terms. Details of the major balances and transactions are as follows:

	31 December 2023		31 December 2022	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Assets				
Treasury bonds and special government bond	**1,345,831**	**12.00%**	913,436	9.58%
Receivable from the MOF	**340,595**	**3.04%**	333,078	3.49%
Liabilities				
Due to customers	**2,935**	**0.01%**	4,377	0.02%
Other liabilities				
— Redemption of treasury bonds on behalf of the MOF	**4**	**0.00%**	4	0.00%
— Amount payable to the MOF	**302**	**0.06%**	1,732	0.36%

	Year ended 31 December			
	2023		2022	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**44,768**	**3.66%**	32,424	2.93%
Interest expense	**(338)**	**0.05%**	(58)	0.01%
Fee and commission income	**1,707**	**1.80%**	1,382	1.45%
Net trading gain	**143**	**0.62%**	103	1.87%

Interest rate ranges for transactions with the MOF during the year are as follows:

	Year ended 31 December	
	2023	2022
	%	%
Treasury bonds and receivable from the MOF	**0.00–9.00**	0.00–9.00
Due to customers	**0.0001–5.49**	0.0001–4.43

The Group's redemption commitment for treasury bonds underwriting is disclosed in Note IV 42 Contingent liabilities and commitments.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(2) The Group and Huijin

Central Huijin Investment Ltd. ("Huijin") is a wholly state-owned company through state investment in accordance with the Company Law of the PRC, which is incorporated with authorized capital of RMB828,209 million in Beijing, PRC. The State Council has authorized Huijin to make equity investments in major state-owned financial institutions to preserve and increase the value of these state-owned financial assets. Huijin can exercise rights and shall assume obligations on major state-owned financial institutions as an investor on behalf of the state to the extent of its capital contribution. Huijin does not engage in other commercial activities nor intervene in the normal operations of major state-owned financial institutions which are controlled by Huijin.

As at 31 December 2023, Huijin directly owned 40.14% (31 December 2022: 40.03%) of the ordinary shares of the Bank.

Transactions with Huijin

The Group enters into transactions with Huijin in its ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

	31 December 2023		31 December 2022	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Assets				
Loans and advances to customers	**12,009**	**0.06%**	14,012	0.07%
Financial investments	**36,044**	**0.32%**	31,747	0.33%
Liabilities				
Due to customers	**14,166**	**0.05%**	11,745	0.05%

	Year ended 31 December			
	2023		2022	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**1,218**	**0.10%**	1,077	0.10%
Interest expense	**(138)**	**0.02%**	(395)	0.08%
Net trading gain	**3**	**0.01%**	3	0.05%

Interest rate ranges for transactions with Huijin during the year are as follows:

	Year ended 31 December	
	2023	2022
	%	%
Loans and advances to customers	**2.70**	3.65
Financial investments	**2.28–4.23**	2.15–5.15
Due to customers	**1.40–1.90**	0.45–2.10

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(2) *The Group and Huijin (Continued)*

Transactions with companies under Huijin

Huijin has equity interests in certain other banks and financial institutions under the direction of the Central Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

	31 December 2023		31 December 2022	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Assets				
Deposits with banks and other financial institutions	**381,644**	**35.33%**	120,662	19.13%
Placements with and loans to banks and other financial institutions	**90,166**	**17.47%**	61,552	12.30%
Derivative financial assets	**3,964**	**15.94%**	6,049	19.69%
Financial assets held under resale agreements	**78,375**	**4.33%**	46,008	3.92%
Loans and advances to customers	**27,397**	**0.13%**	31,468	0.17%
Financial investments	**1,072,258**	**9.56%**	851,275	8.93%
Liabilities				
Deposits from banks and other financial institutions	**169,162**	**4.63%**	122,269	4.97%
Placements from banks and other financial institutions	**120,656**	**31.56%**	91,971	27.56%
Derivative financial liabilities	**5,040**	**18.12%**	5,604	18.08%
Financial assets sold under repurchase agreements	**5,902**	**5.87%**	6,155	14.06%
Due to customers	**473**	**0.00%**	3,032	0.01%
Equity				
Other equity instruments	**2,000**	**0.42%**	2,000	0.45%
Off-balance sheet items				
Letters of guarantee and guarantees	**444**	**0.12%**	1,239	0.38%

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(2) *The Group and Huijin (Continued)*

Transactions with companies under Huijin (Continued)

	Year ended 31 December			
	2023		2022	
	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income	**15,820**	**1.29%**	20,359	1.84%
Interest expense	**(1,878)**	**0.29%**	(2,918)	0.56%
Net trading (loss)/gain	**(1,077)**	**N/A**	699	12.67%
Net gain on financial investments	**2,352**	**14.03%**	4,194	70.98%

Interest rate ranges for transactions with companies under Huijin during the year are as follows:

	Year ended 31 December	
	2023 %	2022 %
Deposits with banks and other financial institutions	**-0.60–4.23**	-0.90–2.50
Placements with and loans to banks and other financial institutions	**-0.15–6.58**	-0.25–9.50
Derivative financial assets	**-0.004–5.00**	0.00–7.15
Financial assets held under resale agreements	**1.75–4.60**	2.65–4.40
Loans and advances to customers	**0.00–4.90**	0.00–6.15
Financial investments	**0.00–8.75**	0.00–5.98
Deposits from banks and other financial institutions	**0.00–6.10**	0.00–3.99
Placements from banks and other financial institutions	**2.75–6.02**	-0.20–6.03
Derivative financial liabilities	**0.02–5.50**	0.00–6.26
Financial assets sold under repurchase agreements	**1.81–5.87**	2.00–4.23
Due to customers	**0.05–1.55**	0.0001–3.99
Other equity instruments	**4.84**	4.84

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(3) The Group and National Council for Social Security Fund of the People's Republic of China

As at 31 December 2023, the Bank's shares held by National Council for Social Security Fund of the People's Republic of China (the "SSF") accounted for 6.72% of the Bank's total share capital (31 December 2022: 6.72%). The Group enters into transactions with the SSF in the ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

	31 December 2023		31 December 2022	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Assets				
Financial assets held under resale agreements	**36,114**	**2.00%**	41,549	3.54%
Liabilities				
Due to customers	**129,383**	**0.45%**	78,773	0.31%
Equity				
Other equity instruments	**1,250**	**0.26%**	1,250	0.28%

	Year ended 31 December			
	2023		2022	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**31**	**0.00%**	29	0.00%
Interest expense	**(4,518)**	**0.69%**	(2,798)	0.54%

Interest rate ranges for transactions with SSF during the year are as follows:

	Year ended 31 December	
	2023	2022
	%	%
Financial assets held under resale agreements	**2.50–4.50**	2.45–4.30
Due to customers	**0.40–4.26**	0.45–4.26
Other equity instruments	**4.84**	4.84

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(4) The Group and other government related entities

Other than disclosed above, a significant portion of the Group's banking transactions are entered into with government authorities, agencies, affiliates and other State controlled entities. These transactions are entered into under normal commercial terms and conditions and mainly include provision of credit and guarantee, deposits, foreign exchange transactions, derivative transactions, agency services, underwriting and distribution of bonds issued by government agencies, purchase, sales and redemption of investment securities issued by government agencies.

Management considers that these transactions are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government authorities, agencies, affiliates and other State controlled entities.

(5) The Bank and its subsidiaries

The Bank had the following balances and transactions with its subsidiaries in its ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

	31 December 2023		31 December 2022	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Assets				
Placements with and loans to banks and other financial institutions	**84,613**	**16.39%**	83,895	16.77%
Financial investments	**1,218**	**0.01%**	601	0.01%
Other assets	**354**	**0.18%**	288	0.21%
Liabilities				
Deposits from banks and other financial institutions	**5,901**	**0.16%**	15,881	0.65%
Placements from banks and other financial institutions	**952**	**0.25%**	798	0.24%
Due to customers	**2,025**	**0.01%**	2,247	0.01%
Other liabilities	**44**	**0.01%**	15	0.00%
Off-balance sheet items				
Letters of guarantee and guarantees	**889**	**0.24%**	2,866	0.87%
Non-principal guaranteed wealth management products issued by the Group	**–**	**–**	10	0.00%

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(5) *The Bank and its subsidiaries (Continued)*

	Year ended 31 December			
	2023		2022	
	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income	**1,625**	**0.13%**	1,484	0.13%
Net gain on financial investments	**17**	**0.10%**	198	3.35%
Fee and commission income	**2,006**	**2.12%**	1,941	2.03%
Other operating income	**196**	**7.26%**	150	1.20%
Interest expense	**(174)**	**0.03%**	(512)	0.10%
Fee and commission expense	**(101)**	**0.69%**	(1,655)	11.63%
Operating expense	**(335)**	**0.13%**	(354)	0.15%

Interest rate ranges for transactions with its subsidiaries during the year are as follows:

	Year ended 31 December	
	2023 %	2022 %
Placements with and loans to banks and other financial institutions	**1.62–7.40**	0.30–6.68
Financial investments	**0.00–2.80**	0.00
Deposits from banks and other financial institutions	**0.00–5.30**	0.00–4.13
Placements from banks and other financial institutions	**1.62–5.90**	1.25
Due to customers	**0.01–3.10**	0.01–1.85

(6) *The Group and its associates and joint ventures*

The Group had the following balances and transactions with its associates and joint ventures in its ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

	31 December 2023		31 December 2022	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Assets				
Loans and advances to customers	**996**	**0.00%**	1,043	0.01%
Liabilities				
Deposits from banks and other financial institutions	**47**	**0.00%**	24	0.00%
Due to customers	**66**	**0.00%**	2,664	0.01%
Off-balance sheet items				
Non-principal guaranteed wealth management products issued by the Group	**–**	**–**	4	0.00%

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(6) The Group and its associates and joint ventures (Continued)

	Year ended 31 December			
	2023		2022	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**39**	**0.00%**	21	0.00%
Interest expense	**(1)**	**0.00%**	(9)	0.00%

Interest rate ranges for transactions with its associates and joint ventures during the year are as follows:

	Year ended 31 December	
	2023	2022
	%	%
Loans and advances to customers	**3.85**	3.65–4.60
Deposits from banks and other financial institutions	**0.00–1.55**	0.00–1.65
Due to customers	**0.20–1.75**	0.25–1.85

(7) Key management personnel and related natural persons transactions

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group. Key management personnel of the Group, their close relatives, and entities that are controlled, jointly controlled, or significantly influenced by either the key management personnel of the Group or their close relatives, are considered as related parties of the Group. The Group enters into banking transactions with above related parties in the normal course of business. As at 31 December 2023, the balance of loans and advances to the above related parties is RMB7.40 million (31 December 2022: RMB9.57 million).

The Bank issued loans and credit card business to related natural persons (as defined in the Administrative Measures on Information Disclosure of Listed Companies issued by the China Securities Regulatory Commission (the "CSRC")). As at 31 December 2023, the balance of such loans amounted to RMB12.56 million (31 December 2022: RMB17.66 million).

The remuneration of Directors and other members of key management during the years was as follows:

	Year ended 31 December	
	2023	2022 (Restated)
	(millions)	(millions)
Salaries, bonuses and staff welfare	**10.86**	15.69

According to the regulations of the relevant authorities in the PRC, the key management personnel's final emoluments for the year ended 31 December 2023 have not been finalized. Management of the Group believes that the difference between the final emoluments and that disclosed above will not have significant impact on the consolidated financial statements of the Group. The final compensation will be disclosed in a separate announcement when determined.

The compensation of key management personnel for the year ended 31 December 2022 was not decided at the time when the Group's 2022 consolidated financial statements were released and the amount of remuneration of key management personnel recognized in the consolidated statement of profit or loss for the year of 2022 was RMB11.84 million. Supplementary announcement on final compensation of RMB15.69 million was released by the Bank on 29 August 2023. The comparative figures for the year of 2022 have been restated accordingly.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(8) Related party transactions defined by NFRA

As at 31 December 2023, the Bank's balance of credit related transactions to the related parties as defined in the Rules on Related-Party Transactions of Banking and Insurance Institutions by the NFRA totalled RMB206,272 million, and the amount of non-credit transaction totalled RMB44,692 million. As at 31 December 2022, the Bank's balance of credit related transactions to the related parties as defined in the Rules on Related-Party Transactions of Banking and Insurance Institutions by the NFRA totalled RMB95,327 million, and the amount of non-credit transaction totalled RMB12,792 million.

(9) The Group and the Annuity Scheme

The Group had the following balances and transactions with the Annuity Scheme set up by the Bank apart from the obligation for defined contribution to the Annuity Scheme:

	31 December 2023		31 December 2022	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Liabilities				
Deposits from Annuity Scheme	**7,290**	**0.03%**	7,342	0.03%
Equity				
Other equity instruments	**7,500**	**1.56%**	7,500	1.70%

	Year ended 31 December			
	2023		2022	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest expense	**(298)**	**0.05%**	(279)	0.05%

Interest rate ranges for transactions with the Annuity Scheme during the year are as follows:

	Year ended 31 December	
	2023	2022
	%	%
Deposits from Annuity Scheme	**0.00–5.00**	0.00–5.00
Other equity instruments	**4.84–5.32**	4.84–5.32

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(10) Proportion of transactions with major related parties

Related party transactions with subsidiaries have been offset in the process of preparing consolidated financial statements. When calculating the proportion of related party transactions, related party transactions do not include related party transactions with subsidiaries.

(i) Transaction balance

	31 December 2023		31 December 2022	
	Related party transactions	**Proportion**	Related party transactions	Proportion
Deposits with banks and other financial institutions	**381,644**	**35.33%**	120,662	19.13%
Placements with and loans to banks and other financial institutions	**90,166**	**17.47%**	61,552	12.30%
Derivative financial assets	**3,964**	**15.94%**	6,049	19.69%
Financial assets held under resale agreements	**114,489**	**6.33%**	87,557	7.47%
Loans and advances to customers	**40,402**	**0.19%**	46,523	0.25%
Financial investments	**2,794,728**	**24.92%**	2,129,536	22.35%
Deposits from banks and other financial institutions	**169,209**	**4.63%**	122,293	4.97%
Placements from banks and other financial institutions	**120,656**	**31.56%**	91,971	27.56%
Derivative financial liabilities	**5,040**	**18.12%**	5,604	18.08%
Financial assets sold under repurchase agreements	**5,902**	**5.87%**	6,155	14.06%
Due to customers	**154,313**	**0.53%**	107,933	0.43%
Other liabilities	**306**	**0.06%**	1,736	0.36%
Other equity instruments	**10,750**	**2.24%**	10,750	2.44%
Letters of guarantee and guarantees	**444**	**0.12%**	1,239	0.38%
Non-principal guaranteed wealth management products issued by the Group	**–**	**–**	4	0.00%

(ii) Transaction amount

	Year ended 31 December			
	2023		2022	
	Related party transactions	**Proportion**	Related party transactions	Proportion
Interest income	**61,876**	**5.06%**	53,910	4.86%
Interest expense	**(7,171)**	**1.10%**	(6,457)	1.25%
Net trading (loss)/gain	**(931)**	**N/A**	805	14.59%
Net gain on financial investments	**2,352**	**14.03%**	4,194	70.98%
Fee and commission income	**1,707**	**1.80%**	1,382	1.45%

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41 STRUCTURED ENTITIES

(1) Consolidated structured entities

Structured entities consolidated by the Group include certain asset management plans, funds and securitization products issued, managed and/or invested by the Group. The Group controls these entities because the Group has power over, is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns.

(2) Unconsolidated structured entities

Unconsolidated structured entities sponsored and managed by the Group

Unconsolidated structured entities sponsored and managed by the Group mainly include non-principal guaranteed WMPs, which are not subject to any guarantee by the Group of the principal invested or interest to be paid. The WMPs invest in a range of assets, most typically money market instruments, debt securities and non-standardized debt assets. As the manager of these WMPs, the Group, on behalf of the investors in these WMPs, invests the funds raised from investors to the assets as described in the investment plan related to each WMP and distributes profits to investors based on product performance.

As at 31 December 2023, the total assets invested by these non-principal guaranteed WMPs amounted to RMB1,774,790 million (31 December 2022: RMB2,004,687 million) and the corresponding outstanding WMPs issued by the Group amounted to RMB1,685,287 million (31 December 2022: RMB1,933,155 million). During the year ended 31 December 2023, the Group's interest in these WMPs included net fee and commission income of RMB3,440 million (2022: RMB5,742 million), and net interest income related to repo transactions enter by the Group with these WMPs of RMB 84.2 thousand (2022: RMB0). The Group enters into repo transactions at market interest rates with these WMPs, and the outstanding balance of these transactions was represented the Group's maximum exposure to the WMPs. During the year ended 31 December 2023, the average exposure and the weighted average maturity period for the above-mentioned transactions were RMB4,105.5 thousand and 3 days respectively (2022: Did not occur). And there was no outstanding balance for the above-mentioned transactions at 31 December 2023 and 31 December 2022. The Group was under no obligation to enter into these transactions.

There were no contractual liquidity arrangements, guarantees or other commitments between the Group and any third parties that could increase the level of the Group's risk from WMPs disclosed above during the years ended 31 December 2023 and 31 December 2022. The Group was not required to absorb any losses incurred by WMPs.

In addition, other unconsolidated structured entities sponsored and managed by the Group included funds, asset management plans and asset-backed securities. As at 31 December 2023, the total assets of these products amounted to RMB308,643 million (31 December 2022: RMB423,668 million). During the year ended 31 December 2023, the Group's interest in these products mainly included net fee and commission income of RMB1,166 million (2022: RMB1,556 million).

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41 STRUCTURED ENTITIES (Continued)

(2) *Unconsolidated structured entities (Continued)*

Other unconsolidated structured entities held by the Group

The Group invests in other unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. These unconsolidated structured entities primarily include asset management plans, WMPs, funds, trust plans, asset-backed securities and debt investment plans. etc. As at 31 December 2023, the related carrying amount of investments and the maximum exposure by the Group to these other unconsolidated structured entities was RMB80,049 million (31 December 2022: RMB73,497 million), included under the financial assets at fair value through profit or loss, debt instrument investments at amortized cost and other debt instrument and other equity investments at fair value through other comprehensive income categories in the consolidated statement of financial position. The information on the size of total assets of these unconsolidated structured entities was not readily available in the public domain.

42 CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings and others

The Bank and its subsidiaries are involved as demandants/defendants in certain lawsuits arising from their normal business operations. As at 31 December 2023, provisions of RMB5,629 million were made by the Group (31 December 2022: RMB5,317 million) based on court judgments or advice of legal counsel, and included in Note IV 31 Other liabilities. Management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

Capital commitments

	As at 31 December	
	2023	2022
Contracted but not provided for	**4,914**	1,929

Loan commitments and financial guarantee contracts

	As at 31 December	
	2023	2022
Loan commitments		
— With an original maturity of less than 1 year	**66,608**	31,744
— With an original maturity of 1 year or above	**299,239**	383,897
Subtotal	**365,847**	415,641
Bank acceptances	**1,024,150**	702,237
Credit card commitments	**873,029**	797,219
Letters of guarantee and guarantees	**373,915**	329,420
Letters of credit	**218,824**	167,876
Total	**2,855,765**	2,412,393

Loan commitments and financial guarantee contracts represent credit cards and general credit facility limits granted to customers. These general credit facilities may be drawn in the form of loans or through the issuance of letters of credit, letters of guarantee and guarantees or bank acceptances.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Credit risk weighted amount for credit commitments

Credit risk weighted amount for credit commitments represents the counterparty credit risk associated with credit commitments and is calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the NFRA which was effective on 1 January 2013 and is dependent on, among other factors, creditworthiness of counterparties and maturity characteristics of each type of contract. As at 31 December 2023 and 31 December 2022, credit risk weighted amount for credit commitments was measured under the Internal Ratings-Based approach.

	As at 31 December	
	2023	2022
Credit risk weighted amount for credit commitments	**1,155,402**	1,186,585

Collateral

Assets as collateral

At the end of each reporting period, the carrying amounts of assets pledged as collateral under repurchase agreements are as follows:

	As at 31 December	
	2023	2022
Debt securities	**103,516**	44,352
Bills	**3,623**	3,565
Total	**107,139**	47,917

As at 31 December 2023, the financial assets sold under repurchase agreements (disclosed in Note IV 28 Financial assets sold under repurchase agreements) by the Group amounted to RMB100,521 million (31 December 2022: RMB43,779 million). Repurchase agreements are primarily due within 1 year from the effective dates of these agreements.

Financial assets sold under repurchase agreements include certain transactions under which, title of the pledged securities has been transferred to counterparties. These transactions have been disclosed in Note IV 43 Transferred financial assets.

In addition, debt securities and deposits with banks and other financial institutions pledged in accordance with regulatory requirements as collateral for derivative transactions or borrowings from central banks etc. by the Group as at 31 December 2023 amounted to RMB1,558,063 million in total (31 December 2022: RMB1,218,412 million).

Collateral accepted

The Group received debt securities and bills as collateral in connection with the securities lending transactions and the purchase of assets under resale agreements (Note IV 16 Financial assets held under resale agreements). The Group did not hold any collateral that can be resold or re-pledged as at 31 December 2023 and 31 December 2022.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Redemption commitment for treasury bonds

The Group is entrusted by the MOF to underwrite certain treasury bonds. The investors of these treasury bonds have a right to redeem the bonds at any time prior to maturity and the Group is committed to honor such redemption requests. The redemption price is calculated as the nominal value of the bond plus payable interest in accordance with the terms of the related early redemption arrangement.

As at 31 December 2023, the nominal value of treasury bonds the Group was obligated to redeem prior to maturity was RMB48,783 million (31 December 2022: RMB51,367 million). The original maturities of these bonds vary from 3 to 5 years. Management of the Group expects the amount of redemption before the maturity dates of these bonds will not be material.

Commitment on security underwriting

As at 31 December 2023, the Group did not have unexpired securities underwriting obligations (31 December 2022: Nil).

43 TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business whereby it transfers recognized financial assets to third parties or to structured entities. In some cases these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group retains substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

Securitization transactions

The Group enters into securitization transactions in the normal course of business by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed, among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished its control over these assets based on the criteria as detailed in Note II 8.7 Derecognition of financial assets and Note III 6 Derecognition of financial assets transferred.

As at 31 December 2023, the total amount of unexpired asset-backed securities included accumulative loans transferred by the Group before impairment allowance was RMB116,040 million (31 December 2022: RMB101,538 million). RMB24,238 million of this balance (31 December 2022: RMB9,736 million) was in respect of non-performing loans and the Group concluded that these loans transferred were qualified for full derecognition. The remaining balance of RMB91,802 million (31 December 2022: RMB91,802 million) was in respect of performing loans and the Group concluded that it had continuing involvement in these assets. As at 31 December 2023, the Group continued to recognize assets of RMB8,519 million (31 December 2022: RMB8,850 million) under loans and advances to customers. The Group also recognized other assets and other liabilities of the same amount arising from such continuing involvement.

Transfer of non-performing loans

During the year ended 31 December 2023, the Group transferred non-performing loans through disposal to third parties or issuing asset-back securities, with gross loan balance of RMB18,516 million (2022: RMB11,883 million). The Group carried out an assessment based on the criteria as detailed in Note II 8.7 and Note III 6 and concluded that these transferred assets were qualified for full derecognition.

Financial assets sold under repurchase agreements

The Group did not derecognize financial assets transferred as collateral in connection with repurchase agreements. As at 31 December 2023, book value of these collateral pledged disclosed in Note IV 42 Contingent liabilities and commitments — Collateral, RMB46,884 million (31 December 2022: RMB1,769 million) represented debt securities whereby legal title has been transferred to counterparties.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 TRANSFERRED FINANCIAL ASSETS (Continued)

Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or repledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. As at 31 December 2023, the carrying amount of debt securities lent to counterparties was RMB26,400 million (31 December 2022: RMB29,000 million).

44 FINANCIAL RISK MANAGEMENT

Overview

The Group's primary risk management objective is to meet the requirements of stable operation from regulators, depositors and other stakeholders, as well as to maximize return for investors within an acceptable level of risk.

The Group has designed risk management policies, which address, among other things, the establishment of risk limits and controls to identify, analyze, monitor and report risks. Relevant and timely information used to conduct these risk management activities is provided through information systems maintained by the Group. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practices.

The most significant types of risk to which the Group is exposed are credit risk, market risk and liquidity risk. Market risk includes foreign exchange rate risk, interest rate risk and other price risk.

Risk management framework

The Board of Directors of the Group is responsible for formulating the Group's overall risk appetite, reviewing and approving the Group's major risk management policies and procedures.

Senior Management of the Group is responsible for the implementation of risk management, including implementing risk appetite and risk management strategies, formulating risk management policies and procedures, and establishing a risk management organizational structure to manage the Group's major risks.

44.1 Credit risk

Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations when due. Credit risk can also arise from operational failures that result in an unauthorized or inappropriate loans and advances, commitment or investment. The Group's major credit risks arise from loans and advances, treasury operations and off-balance sheet related credit risk exposures.

The Group's credit risk management and governance structure comprise the Board of Directors and its Risk Management and Consumer Protection Committee, Senior Management and its Risk Management and Internal Control Committee, Credit Approval Committee and Asset Disposal Committee, Credit Management Department, Credit Approval Department and related front-office customer departments. The Group's credit risk management function operates under centralized management and authorization under a range of specified limits.

The Group performs standardized credit management procedures, including credit due diligence and proposal submission, credit underwriting review, loan disbursement, post-lending monitoring and non-performing loan management. The Group enhances its credit risk management by strictly complying with its credit management procedures; strengthening customer investigation, credit rating, lending approval and post-lending monitoring measures; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrading the credit management system.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Credit risk management (Continued)

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include: (1) ceasing enforcement activity and (2) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

During the reporting period, the Group continued to improve the comprehensive risk management system to ensure effective risk management. The Group strengthened credit risk management in key areas and asset quality control and accelerated the disposal of non-performing loans to ensure the stability of assets quality.

Apart from the credit risk exposures on credit-related assets, the credit risk arising from treasury operation business is managed by selecting counterparties with acceptable credit quality, balancing credit risk and return, referencing to both internal and external credit rating information where available and applying appropriate limits subject to different level of management authority, and timely reviewing and adjusting those limits in credit system. In addition, the Group also provides loan commitments and financial guarantee services to customers which may require the Group to make payments on behalf of customers upon their failure to perform under the terms of the related contract. Risks arising from loan commitments and financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management policies and procedures.

Measurement of ECL

The Group applies the ECL model to calculate loss allowances for its debt financial instruments measured at amortized cost and FVOCI, as well as loan commitments and financial guarantee contracts.

Methods applied by the Group in assessing the expected credit losses of its financial assets include risk parameters model and the discounted cash flow ("DCF") model. Retail credit assets and Stage I and Stage II wholesale credit assets are assessed using risk parameters, while Stage III wholesale credit assets are subject to the discounted cash flow method.

The Group assesses ECL in light of forward-looking information and uses models and assumptions in calculating the expected credit losses. These models and assumptions relate to the future macroeconomic conditions and the borrowers' creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). In assessing the expected credit risks in accordance with accounting standards, the Group uses the judgements, assumptions and estimates where appropriate, including:

— Portfolio segmentation of credit risk exposures

— Parameters for measuring ECL

— Criteria for significant increase in credit risk and default definition

— Definition of credit-impaired financial assets

— Forward-looking information

— Estimation of future cash flows for Stage III wholesale credit assets

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Measurement of ECL (Continued)

Portfolio segmentation of credit risk exposures

For measurement of ECL, portfolio segmentation is based on similar credit risk characteristics. In performing the portfolio segmentation of credit assets, the Group considers product types, customer types, industry, customer size, risk mitigation method and market distribution. The Group retests and revises the rationality of portfolio segmentation of credit risk exposures every year.

Parameters for measuring ECL

According to whether there is a significant increase in credit risk and whether a financial asset has become credit-impaired, the Group recognizes an impairment allowance based on the expected credit loss for the next 12 months or the entire lifetime of the financial asset. The relevant parameters of ECL measurement include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group establishes its PD models, LGD models and EAD models based on the internal rating based system as currently used for its risk management purpose, in accordance with the requirements of IFRS 9, in light of quantitative analysis of historical statistics (such as counterparty ratings, guarantee methods and collateral types, repayment methods, etc.) and forward-looking information.

The parameters are defined as follows:

— PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months ("12 months PD"), or over the remaining lifetime ("Lifetime PD") of the obligation;

— EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months ("12 months EAD") or over the remaining lifetime ("Lifetime EAD");

— LGD represents the Group's expectation of the extent of loss on defaulted exposure. It varies depending on the type of counterparty, method of recourse and priority, and the availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

Criteria for significant increase in credit risk ("SICR") and default definition

The Group assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each reporting date. For the purpose of staging assessment of its financial assets, the Group thoroughly considers various reasonable and supportable information that may reflect whether there has been a significant change in their credit risk, including forward-looking information. Key factors considered include regulatory and operating environments, internal and external credit ratings, solvency, viability as a going concern, terms of loan contracts, repayment behaviors, among others. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the reporting date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments. The definition of default refers to the failure to pay the debt as agreed in the contract, or other violations of the debt contract and have a significant impact on the normal debt repayment.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Measurement of ECL (Continued)

Criteria for significant increase in credit risk ("SICR") and default definition (Continued)

The Group sets quantitative and qualitative criteria to determine whether the credit risk of a financial instrument has increased significantly since its initial recognition. The criteria includes changes in its credit risk classification, changes in the borrower's PD, overdue status and other factors. In particular, when the credit risk classification changes from Normal upon initial recognition to Special Mention, there has been SICR. When the wholesale clients' PD rises to a certain level, there has been a SICR. Criteria to determine SICR varied based on the original PD upon initial recognition. If the borrower's original PD is relatively low (for example, lower than 3%), there has been SICR when the credit grade falls at least 5 notches. When retail clients' PD exceeds a certain level, there has been SICR. According to IFRS 9, a backstop is applied and the financial instrument is considered to have experienced SICR if the borrower is more than 30 days past due on its contractual payments.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. The Group recognizes a financial instrument as having low credit risk if its internal rating is consistent with the globally accepted definition for low credit risk (e.g. external "investment grade" rating).

Definition of credit-impaired financial assets

The criteria adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives for relevant financial instruments, in addition to consideration of quantitative and qualitative indicators. In assessing whether a borrower has become credit-impaired, the Group mainly considers the following factors:

— Significant financial difficulty of the issuer or the borrower;

— A breach of contract, such as a default or past due event in relation to interest or principal payment;

— The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

— It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

— The disappearance of an active market for that financial asset because of financial difficulties;

— The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

— The borrower is overdue for more than 90 days in any principal, advances, interest or investment in bonds due to the Group.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single discrete event.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Measurement of ECL (Continued)

Forward-looking information

The assessment of whether there has been a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the forward-looking information that affect the credit risk and ECL of various portfolio. Forward-looking information include Gross Domestic Product (GDP), Consumer Price Index (CPI) and Producer Price Index (PPI), etc.

The impact of these forward-looking information on the PDs and the LGDs varies from one portfolio to another. The Group comprehensively considers internal and external data, expert forecasts and statistical analysis to determine the correlation between these forward-looking information and the PDs and LGDs. The Group assesses and forecasts these forward-looking information at least every six months, calculates the best estimates for the future, and regularly reviews and assesses results.

As at 31 December 2023, the Group has assessed and forecasted the relevant forward-looking information for 2024, of which the forecast value of 2024 GDP growth rate under each scenario is as follows: 5.00% under base scenario, 5.50% under upside scenario, and 4.40% under downside scenario.

Based on statistical analysis and expert judgements, the Group determines the weightings of multiple scenarios and the corresponding forward-looking information forecast under each scenario. The weighting of base scenario is greater than the aggregated weightings of the other two scenarios. At 31 December 2023, the weightings of the Group's base, upside and downside scenarios have not changed from 31 December 2022. The Group uses the weighted 12 months ECL (Stage I) or weighted lifetime ECL (Stage II and Stage III) to measure relevant impairment allowances. These weighted credit losses are calculated by multiplying the expected credit loss under each scenario by the assigned scenario weighting.

A sensitivity analysis is performed on scenario and indicators used in forward-looking measurement. When the assigned weightings of upside scenario and downside scenario change by 10% or major indicators change by 10% under base scenario, the impact on the allowance of expected credit loss is less than 5%.

Estimation of future cash flows for Stage III wholesale credit assets

The Group measures the ECL for Stage III wholesale credit assets using DCF method. Under DCF method, the loss allowance is calculated based on the estimation of future cash flows. At each measurement date, the Group projects the future cash inflows of relevant assets under different scenarios to estimate the probability weighted cash flow of each future period. The cash flows are discounted and aggregated to get the present value of the assets' future cash flows.

Maximum exposure to credit risk without taking account of any collateral held or other credit enhancements

The maximum exposure to credit risk represents the worst credit risk exposure at the end of each reporting period, without taking account of any collateral held or other credit enhancements. The credit risk exposure to the Group at the end of each reporting period primarily arises from credit and treasury operations. In addition, off-balance sheet items such as loan commitments, credit card commitments, bank acceptances, letters of guarantee and guarantees and letters of credit also include credit risks.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Maximum exposure to credit risk without taking account of any collateral held or other credit enhancements (Continued)

A summary of the maximum exposure to credit risk as at the end of the reporting period is as follows:

	Notes	As at 31 December 2023	2022
Balances with central banks		**2,850,907**	2,481,950
Deposits with banks and other financial institutions		**1,080,076**	630,885
Placements with and loans to banks and other financial institutions		**516,181**	500,330
Derivative financial assets		**24,873**	30,715
Financial assets held under resale agreements		**1,809,559**	1,172,187
Loans and advances to customers	(i)	**21,731,766**	18,980,973
Financial investments			
Financial assets at fair value through profit or loss		**392,939**	383,048
Debt instrument investments at amortized cost	(ii)	**8,463,255**	7,306,000
Other debt instrument investments at fair value through other comprehensive income	(iii)	**2,195,685**	1,697,405
Other financial assets		**143,663**	87,396
Subtotal		**39,208,904**	33,270,889
Loan commitments and financial guarantee contracts	(iv)	**2,828,280**	2,384,342
Total		**42,037,184**	35,655,231

(i) Maximum exposure to credit risk for loans and advances disclosed in credit risk levels

The Group classified the credit risk levels of financial assets measured by ECL into "Low" (credit risk in good condition), "Medium" (increased credit risk), and "High" (credit risk in severe condition), based on the quality of assets. The credit risk level is used for the purpose of the Group's internal credit risk management. "Low" refers to assets with good credit quality. There is no sufficient reason to doubt that the assets are not expected to fulfill its contractual obligation to repay or if there is any other behaviors breaching the debt contracts that would significantly impact the repayment of debt according to contract terms. "Medium" refers to assets facing obvious negative factors impacting its repayment capacity, but not yet have non-repayment behaviors. "High" refers to non-repayment according to the debt contract terms, or other behaviors breaching the debt contracts or having significant impact on the repayment of debt according to contract terms.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Maximum exposure to credit risk without taking account of any collateral held or other credit enhancements (Continued)

(i) Maximum exposure to credit risk for loans and advances disclosed in credit risk levels (Continued)

Corporate loans and advances	**As at 31 December 2023**		
	Stage I 12 months ECL	**Stage II & Stage III Lifetime ECL**	**Total**
Credit risk grade			
Low	**13,977,605**	**51,293**	**14,028,898**
Medium	**–**	**245,659**	**245,659**
High	**–**	**241,556**	**241,556**
Gross carrying amount	**13,977,605**	**538,508**	**14,516,113**
Allowance for impairment losses	**(432,910)**	**(215,054)**	**(647,964)**
Net amount	**13,544,695**	**323,454**	**13,868,149**

Personal Loans and advances	**As at 31 December 2023**		
	Stage I 12 months ECL	**Stage II & Stage III Lifetime ECL**	**Total**
Credit risk grade			
Low	**7,930,111**	**34,735**	**7,964,846**
Medium	**–**	**74,458**	**74,458**
High	**–**	**59,204**	**59,204**
Gross carrying amount	**7,930,111**	**168,397**	**8,098,508**
Allowance for impairment losses	**(171,622)**	**(63,269)**	**(234,891)**
Net amount	**7,758,489**	**105,128**	**7,863,617**

Corporate loans and advances	As at 31 December 2022		
	Stage I 12 months ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	11,726,113	21,104	11,747,217
Medium	–	211,587	211,587
High	–	221,992	221,992
Gross carrying amount	11,726,113	454,683	12,180,796
Allowance for impairment losses	(377,699)	(186,959)	(564,658)
Net amount	11,348,414	267,724	11,616,138

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Maximum exposure to credit risk without taking account of any collateral held or other credit enhancements (Continued)

(i) Maximum exposure to credit risk for loans and advances disclosed in credit risk levels (Continued)

Personal Loans and advances	As at 31 December 2022		
	Stage I 12 months ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	7,431,294	25,819	7,457,113
Medium	–	76,848	76,848
High	–	49,070	49,070
Gross carrying amount	7,431,294	151,737	7,583,031
Allowance for impairment losses	(160,093)	(58,103)	(218,196)
Net amount	7,271,201	93,634	7,364,835

(ii) Maximum exposure to credit risk for debt instrument investments at amortized cost disclosed in credit risk levels

	As at 31 December 2023		
	Stage I 12 months ECL	**Stage II & Stage III Lifetime ECL**	**Total**
Credit risk grade			
Low	**8,476,120**	**–**	**8,476,120**
Medium	**–**	**368**	**368**
High	**–**	**1,309**	**1,309**
Gross carrying amount	**8,476,120**	**1,677**	**8,477,797**
Allowance for impairment losses	**(13,253)**	**(1,289)**	**(14,542)**
Net amount	**8,462,867**	**388**	**8,463,255**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

***Maximum exposure to credit risk without taking account of any collateral held or other credit enhancements** (Continued)*

(ii) Maximum exposure to credit risk for debt instrument investments at amortized cost disclosed in credit risk levels (Continued)

	As at 31 December 2022		
	Stage I 12 months ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	7,324,788	–	7,324,788
Medium	–	347	347
High	–	1,300	1,300
Gross carrying amount	7,324,788	1,647	7,326,435
Allowance for impairment losses	(19,150)	(1,285)	(20,435)
Net amount	7,305,638	362	7,306,000

(iii) Maximum exposure to credit risk for other debt instrument investments at fair value through other comprehensive income disclosed in credit risk levels

	As at 31 December 2023		
	Stage I 12 months ECL	**Stage II & Stage III Lifetime ECL**	**Total**
Credit risk grade			
Low	**2,194,783**	**554**	**2,195,337**
Medium	**–**	**331**	**331**
High	**–**	**17**	**17**
Carrying amount	**2,194,783**	**902**	**2,195,685**

	As at 31 December 2022		
	Stage I 12 months ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	1,696,481	400	1,696,881
Medium	–	507	507
High	–	17	17
Carrying amount	1,696,481	924	1,697,405

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Maximum exposure to credit risk without taking account of any collateral held or other credit enhancements (Continued)

(iv) Maximum exposure to credit risk for loan commitments and financial guarantee contracts is balance after estimated contingent liabilities. Majority of loan commitments and financial guarantee contracts is in Stage I with credit risk grade as "Low".

(v) As at 31 December 2023 and 31 December 2022, in its deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, and financial assets held under resale agreements, the Group had insignificant balances with "Medium" and "High" credit risk grade and classified as Stage II and Stage III assets.

(vi) The Group has implemented specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level. The most typical practice is obtaining guarantee deposits, collateral and guarantees. The amount and type of acceptable collateral are determined through the assessment of credit risk of borrowers or counterparties. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters.

The main types of collateral obtained are as follows:

— Mortgage loans to retail customers are generally collateralized by mortgages over residential properties;

— Other personal lending and corporate loans and advances are primarily collateralized by charges over land and properties or other assets of the borrowers; and

— Financial assets held under resale agreements transactions are primarily collateralized by debt securities and bills.

The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Loans and advances to customers

The below information does not include accrued interests of loans and advances to customers.

(1) The composition of loans and advances to customers by geographical area is analyzed as follows:

	As at 31 December			
	2023		2022	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Head Office	**559,690**	**3.9**	607,201	5.0
Yangtze River Delta	**3,733,534**	**25.7**	2,953,442	24.3
Pearl River Delta	**2,038,897**	**14.1**	1,645,878	13.5
Bohai Rim	**1,983,918**	**13.7**	1,663,666	13.6
Central China	**2,161,883**	**14.9**	1,784,698	14.7
Western China	**3,155,050**	**21.8**	2,686,130	22.1
Northeastern China	**468,891**	**3.2**	407,763	3.4
Overseas and Others	**385,877**	**2.7**	410,068	3.4
Subtotal	**14,487,740**	**100.0**	12,158,846	100.0
Personal loans and advances				
Head Office	**45**	**0.0**	43	0.0
Yangtze River Delta	**1,804,749**	**22.4**	1,777,354	23.5
Pearl River Delta	**1,643,329**	**20.3**	1,588,312	21.0
Bohai Rim	**1,158,539**	**14.3**	1,083,299	14.3
Central China	**1,458,634**	**18.1**	1,308,100	17.3
Western China	**1,758,985**	**21.8**	1,561,455	20.7
Northeastern China	**235,634**	**2.9**	226,719	3.0
Overseas and Others	**16,614**	**0.2**	16,779	0.2
Subtotal	**8,076,529**	**100.0**	7,562,061	100.0
Gross loans and advances to customers	**22,564,269**		19,720,907	

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(2) The composition of loans and advances to customers by industry is analyzed as follows:

	As at 31 December			
	2023		2022	
	Amount	**% of total**	Amount	% of total
Corporate loans and advances				
Transportation, logistics and postal services	**2,736,603**	**18.9**	2,386,103	19.8
Manufacturing	**2,499,350**	**17.3**	2,107,478	17.3
Leasing and commercial services	**2,148,952**	**14.8**	1,768,094	14.5
Production and supply of power, heat, gas and water	**1,487,779**	**10.3**	1,184,206	9.7
Real estate	**918,851**	**6.3**	891,470	7.3
Water, environment and public utilities management	**1,145,331**	**7.9**	874,684	7.2
Retail and wholesale	**1,131,128**	**7.8**	827,723	6.8
Finance	**968,329**	**6.7**	928,185	7.6
Construction	**496,062**	**3.4**	361,175	3.0
Mining	**283,272**	**2.0**	223,745	1.8
Others	**672,083**	**4.6**	605,983	5.0
Subtotal	**14,487,740**	**100.0**	12,158,846	100.0
Personal loans and advances				
Residential mortgage	**5,170,827**	**64.0**	5,346,608	70.7
Personal business	**746,819**	**9.2**	577,522	7.6
Personal consumption	**356,018**	**4.4**	209,036	2.8
Credit cards	**700,031**	**8.7**	647,651	8.6
Others	**1,102,834**	**13.7**	781,244	10.3
Subtotal	**8,076,529**	**100.0**	7,562,061	100.0
Gross loans and advances to customers	**22,564,269**		19,720,907	

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(3) The composition of loans and advances to customers by contractual maturity and security type is analyzed as follows:

	31 December 2023			
	Less than 1 year	1–5 years	Over 5 years	Total
Unsecured loans	**4,082,548**	**1,908,519**	**2,597,474**	**8,588,541**
Guaranteed loans	**810,939**	**613,035**	**1,492,090**	**2,916,064**
Loans secured by mortgages	**1,618,549**	**735,402**	**6,265,124**	**8,619,075**
Pledged loans	**365,530**	**137,767**	**1,937,292**	**2,440,589**
Total	**6,877,566**	**3,394,723**	**12,291,980**	**22,564,269**

	31 December 2022			
	Less than 1 year	1–5 years	Over 5 years	Total
Unsecured loans	3,530,142	1,210,988	2,121,511	6,862,641
Guaranteed loans	727,408	526,599	1,036,344	2,290,351
Loans secured by mortgages	1,412,521	589,521	6,297,040	8,299,082
Pledged loans	280,826	132,282	1,855,725	2,268,833
Total	5,950,897	2,459,390	11,310,620	19,720,907

(4) Overdue loans (i)

	31 December 2023					
	Overdue 1–30 days	Overdue 31–90 days	Overdue 91 to 360 days	Overdue 361 days to 3 years	Overdue over 3 years	Total
Unsecured loans	**11,473**	**8,353**	**21,779**	**9,247**	**4,155**	**55,007**
Guaranteed loans	**4,029**	**1,201**	**8,065**	**11,702**	**1,295**	**26,292**
Loans secured by mortgages	**46,465**	**36,278**	**39,491**	**27,138**	**5,799**	**155,171**
Pledged loans	**2,145**	**1,083**	**1,440**	**2,965**	**427**	**8,060**
Total	**64,112**	**46,915**	**70,775**	**51,052**	**11,676**	**244,530**

	31 December 2022					
	Overdue 1–30 days	Overdue 31–90 days	Overdue 91 to 360 days	Overdue 361 days to 3 years	Overdue over 3 years	Total
Unsecured loans	11,058	6,758	14,117	6,548	3,695	42,176
Guaranteed loans	11,931	3,978	6,073	9,263	1,141	32,386
Loans secured by mortgages	38,066	30,496	31,125	24,384	6,450	130,521
Pledged loans	822	223	3,189	2,389	1,133	7,756
Total	61,877	41,455	54,504	42,584	12,419	212,839

(i) When either loan principal or interest is past due by one day (inclusive) in any period, the whole loan is classified as overdue loan.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(5) Credit quality of loans and advances to customers

Within the credit-impaired loans and advances, the portions covered and not covered by collaterals held are as follows:

	As at 31 December	
	2023	2022
Portion covered	**188,740**	161,691
Portion not covered	**112,020**	109,371
Total	**300,760**	271,062

(6) Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The gross carrying amount of the financial asset is recalculated and the related gain or loss is recognized in profit and loss. The 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 monitors the subsequent performance of modified assets. If the Group determines that the credit risk has significantly improved after modified, the impairment allowance of these assets will be measured on the basis of 12 months ECL instead of the lifetime ECL.

(7) Rescheduled Loans

According to the Rules on Risk Classification of Financial Assets of Commercial Banks issued by the NFRA and the People's Bank of China, which came into force on 1 July 2023. Rescheduled loans refer to the loans provided by the Group in response to the financial difficulties of the borrower, aimed at facilitating the borrower in repaying debts, involving favourable adjustments to the loan contracts for the benefit the borrowers, or providing refinancing for the borrower's existing loans, including rollover or additional debt financing. Rescheduled loans and advances of the Group as at 31 December 2023 amounted to RMB44,525 million.

(8) Debt-for-equity swaps of bankruptcy reorganization

During the year ended 31 December 2023, as a result of debt-for-equity swaps of bankruptcy reorganization, the Group recognized ordinary shares with a fair value of RMB3,299 million (year ended 31 December 2022: RMB544 million). The loss associated with the debt-for-equity swaps of bankruptcy reorganization was not significant.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Debt instruments

Credit quality of debt instruments

(1) Analysis of the expected credit loss stages of debt instrument investments at amortized cost and other debt instrument investments at fair value through other comprehensive income were disclosed in Notes IV18.2 and 18.3, respectively.

(2) Debt instruments analyzed by credit rating

The Group adopts a credit rating approach to manage the credit risk of the debt instruments portfolio held. The Group classified the credit risk levels of financial assets measured by ECL into "Low" (credit risk in good condition), "Medium" (increased credit risk), and "High" (credit risk in severe condition), based on the quality of assets. The credit risk level is used for the purpose of the Group's internal credit risk management. "Low" refers to assets with good credit quality. There is no sufficient reason to doubt that the assets are not expected to fulfill its contractual obligation to repay or if there are any other behaviors breaching the debt contracts that would significantly impact the repayment of debt according to contract terms. "Medium" refers to assets facing obvious negative factors impacting its repayment capacity, but not yet have non-repayment behaviors. "High" refers to non-repayment according to the debt contract terms, or other behaviors breaching the debt contracts and having significant impact on the repayment of debt according to contract terms.

The carrying amounts of debt instruments investments at amortized cost and other debt instrument investments at fair value through other comprehensive income analyzed by their credit rating as at the end of the reporting period are as follows (i):

		31 December 2023			
Credit grade	**Note**	**Low**	**Medium**	**High**	**Total**
Debt securities issued by					
— Governments		**6,904,528**	**–**	**–**	**6,904,528**
— Public sector and quasi-governments		**2,240,058**	**–**	**–**	**2,240,058**
— Financial institutions		**869,390**	**–**	**–**	**869,390**
— Corporates	(ii)	**184,608**	**331**	**17**	**184,956**
Special government bond		**94,106**	**–**	**–**	**94,106**
Receivable from the MOF		**340,595**	**–**	**–**	**340,595**
Others		**24,919**	**368**	**20**	**25,307**
Total		**10,658,204**	**699**	**37**	**10,658,940**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(2) Debt instruments analyzed by credit rating (Continued)

		31 December 2022			
Credit grade	Note	Low	Medium	High	Total
Debt securities issued by					
— Governments		5,664,931	–	–	5,664,931
— Public sector and quasi-governments		2,060,235	–	–	2,060,235
— Financial institutions		600,420	–	–	600,420
— Corporates	(ii)	229,401	507	17	229,925
Special government bond		94,114	–	–	94,114
Receivable from the MOF		333,078	–	–	333,078
Others		20,340	347	15	20,702
Total		9,002,519	854	32	9,003,405

(i) The ratings above were internal ratings obtained from the Group, financial assets at fair value through profit or loss were not included in the credit grade table as at 31 December 2023 and 31 December 2022.

(ii) As at 31 December 2023, the ratings of super short-term commercial papers of the Group amounted to RMB2,409 million (31 December 2022: RMB894 million) included in corporate bonds above were based on issuer rating for this credit risk analysis.

44.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset.

The Group's Assets and Liabilities Management Department manages its liquidity risk through:

— Optimizing asset and liability structure;

— Maintaining stability of deposit base;

— Making projections of future cash flows, and evaluating the appropriate liquid asset position;

— Maintaining an efficient internal funds transfer mechanism within the Group; and

— Performing stress testing on a regular basis.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.2 Liquidity risk (Continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities

The tables below summarize the maturity analysis of financial assets and financial liabilities by remaining contractual maturities based on the carrying amount at the end of each reporting period:

	31 December 2023								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Cash and balances with central banks	–	409,263	–	1,196	10,524	–	–	2,501,064	2,922,047
Deposits with banks and other financial institutions	–	146,973	145,871	97,137	672,860	17,235	–	–	1,080,076
Placements with and loans to banks and other financial institutions	–	–	155,745	78,951	222,321	59,164	–	–	516,181
Derivative financial assets	–	–	5,635	7,568	8,773	2,542	355	–	24,873
Financial assets held under resale agreements	3,872	–	1,793,874	10,333	1,480	–	–	–	1,809,559
Loans and advances to customers	26,167	–	860,084	1,426,659	4,863,202	4,883,398	9,672,256	–	21,731,766
Financial assets at fair value through profit or loss	–	3,083	2,767	36,500	105,554	41,950	226,153	131,400	547,407
Debt instrument investments at amortized cost	387	–	81,055	179,635	572,798	2,502,672	5,126,708	–	8,463,255
Other debt instrument and other equity investments at fair value through other comprehensive income	17	–	84,594	291,167	596,560	641,529	581,818	7,366	2,203,051
Other financial assets	4,157	125,775	1,827	302	3,025	883	7,694	–	143,663
Total financial assets	34,600	685,094	3,131,452	2,129,448	7,057,097	8,149,373	15,614,984	2,639,830	39,441,878
Borrowings from central banks	–	(30)	(123,464)	(180,958)	(822,617)	–	–	–	(1,127,069)
Deposits from banks and other financial institutions	–	(2,346,706)	(213,026)	(347,853)	(509,181)	(229,323)	(7,408)	–	(3,653,497)
Placements from banks and other financial institutions	–	–	(138,121)	(134,140)	(104,937)	(2,724)	(2,368)	–	(382,290)
Financial liabilities at fair value through profit or loss	–	(11,987)	(80)	–	(321)	(209)	–	–	(12,597)
Derivative financial liabilities	–	–	(7,353)	(8,024)	(10,492)	(1,948)	–	–	(27,817)
Financial assets sold under repurchase agreements	–	–	(18,776)	(40,684)	(41,061)	–	–	–	(100,521)
Due to customers	–	(14,159,827)	(875,952)	(1,846,343)	(4,566,756)	(7,441,935)	(7,655)	–	(28,898,468)
Debt securities issued	–	–	(166,810)	(496,344)	(1,018,088)	(129,703)	(484,976)	–	(2,295,921)
Other financial liabilities	–	(125,567)	(1,799)	(768)	(4,204)	(11,433)	(16,223)	–	(159,994)
Total financial liabilities	–	(16,644,117)	(1,545,381)	(3,055,114)	(7,077,657)	(7,817,275)	(518,630)	–	(36,658,174)
Net position	34,600	(15,959,023)	1,586,071	(925,666)	(20,560)	332,098	15,096,354	2,639,830	2,783,704

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.2 Liquidity risk (Continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities (Continued)

The tables below summarize the maturity analysis of financial assets and financial liabilities by remaining contractual maturities based on the carrying amount at the end of each reporting period: (Continued)

	31 December 2022								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Cash and balances with central banks	–	236,475	–	1,046	1,479	–	–	2,310,130	2,549,130
Deposits with banks and other financial institutions	–	84,380	68,096	155,947	315,608	6,854	–	–	630,885
Placements with and loans to banks and other financial institutions	–	–	211,786	87,740	194,248	5,166	1,390	–	500,330
Derivative financial assets	–	–	5,414	9,579	12,175	3,394	153	–	30,715
Financial assets held under resale agreements	3,872	–	1,149,796	9,671	8,848	–	–	–	1,172,187
Loans and advances to customers	20,179	–	681,650	1,062,417	4,434,220	3,911,518	8,870,989	–	18,980,973
Financial assets at fair value through profit or loss	–	3,120	4,890	23,260	87,262	43,539	236,736	123,250	522,057
Debt instrument investments at amortized cost	361	–	59,732	137,709	557,500	2,398,673	4,152,025	–	7,306,000
Other debt instrument and other equity investments at fair value through other comprehensive income	17	–	55,910	108,643	412,304	598,101	522,430	4,701	1,702,106
Other financial assets	3,662	70,808	1,149	186	3,026	856	7,709	–	87,396
Total financial assets	28,091	394,783	2,238,423	1,596,198	6,026,670	6,968,101	13,791,432	2,438,081	33,481,779
Borrowings from central banks	–	(33)	(112,661)	(103,477)	(684,017)	(928)	–	–	(901,116)
Deposits from banks and other financial institutions	–	(1,683,473)	(125,841)	(210,189)	(298,685)	(140,990)	–	–	(2,459,178)
Placements from banks and other financial institutions	–	(3,442)	(117,150)	(100,850)	(100,734)	(8,951)	(2,628)	–	(333,755)
Financial liabilities at fair value through profit or loss	–	(12,039)	–	–	(44)	(204)	–	–	(12,287)
Derivative financial liabilities	–	–	(9,158)	(9,093)	(11,057)	(1,696)	–	–	(31,004)
Financial assets sold under repurchase agreements	–	–	(13,768)	(16,034)	(13,277)	(700)	–	–	(43,779)
Due to customers	–	(13,399,420)	(757,431)	(1,489,777)	(3,918,388)	(5,546,897)	(9,127)	–	(25,121,040)
Debt securities issued	–	–	(44,857)	(517,156)	(834,459)	(137,878)	(335,048)	–	(1,869,398)
Other financial liabilities	–	(147,415)	(1,860)	(650)	(7,248)	(10,744)	(15,482)	–	(183,399)
Total financial liabilities	–	(15,245,822)	(1,182,726)	(2,447,226)	(5,867,909)	(5,848,988)	(362,285)	–	(30,954,956)
Net position	28,091	(14,851,039)	1,055,697	(851,028)	158,761	1,119,113	13,429,147	2,438,081	2,526,823

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows

Assets available to meet obligations related to the Group's liabilities and outstanding credit commitments primarily include cash and balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets at fair value through profit or loss, and financial assets held under resale agreements. In the normal course of business, the majority of customer deposits repayable on demand or on maturity are expected to be retained. In addition, the Group is able to sell the other debt instrument and other equity investments at fair value through other comprehensive income to repay matured liabilities, if necessary.

The tables below present the undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period:

	31 December 2023								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and balances with central banks	–	409,263	–	1,196	10,524	–	–	2,501,064	2,922,047
Deposits with banks and other financial institutions	–	147,065	146,068	97,971	684,001	18,570	–	–	1,093,675
Placements with and loans to banks and other financial institutions	–	–	157,148	80,361	226,642	66,027	–	–	530,178
Financial assets held under resale agreements	3,915	–	1,797,692	10,367	1,491	–	–	–	1,813,465
Loans and advances to customers	75,740	–	951,092	1,599,552	5,619,928	7,135,383	14,229,993	–	29,611,688
Financial assets at fair value through profit or loss	–	3,083	2,814	37,014	111,317	71,775	249,678	131,400	607,081
Debt instrument investments at amortized cost	1,302	–	82,127	190,919	721,280	3,324,226	6,097,362	–	10,417,216
Other debt instrument and other equity investments at fair value through other comprehensive income	21	–	84,849	295,971	632,303	747,610	681,570	7,366	2,449,690
Other financial assets	5,111	128,432	1,828	302	3,026	883	7,695	–	147,277
Total non-derivative financial assets	86,089	687,843	3,223,618	2,313,653	8,010,512	11,364,474	21,266,298	2,639,830	49,592,317
Non-derivative financial liabilities									
Borrowings from central banks	–	(30)	(123,611)	(181,679)	(837,139)	–	–	–	(1,142,459)
Deposits from banks and other financial institutions	–	(2,346,706)	(215,353)	(350,315)	(519,072)	(243,566)	(7,735)	–	(3,682,747)
Placements from banks and other financial institutions	–	–	(139,279)	(135,438)	(106,075)	(3,732)	(2,816)	–	(387,340)
Financial liabilities at fair value through profit or loss	–	(11,987)	(80)	–	(321)	(209)	–	–	(12,597)
Financial assets sold under repurchase agreements	–	–	(18,798)	(41,123)	(41,957)	–	–	–	(101,878)
Due to customers	–	(14,159,827)	(876,853)	(1,853,472)	(4,626,084)	(7,843,250)	(8,637)	–	(29,368,123)
Debt securities issued	–	–	(167,159)	(500,902)	(1,042,618)	(205,960)	(572,154)	–	(2,488,793)
Other financial liabilities	–	(125,567)	(1,824)	(802)	(4,370)	(11,836)	(16,283)	–	(160,682)
Total non-derivative financial liabilities	–	(16,644,117)	(1,542,957)	(3,063,731)	(7,177,636)	(8,308,553)	(607,625)	–	(37,344,619)
Net position	86,089	(15,956,274)	1,680,661	(750,078)	832,876	3,055,921	20,658,673	2,639,830	12,247,698

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

The tables below present the undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period: (Continued)

	31 December 2022								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and balances with central banks	–	236,475	–	1,046	1,479	–	–	2,310,130	2,549,130
Deposits with banks and other financial institutions	–	84,380	69,226	157,741	317,966	7,459	–	–	636,772
Placements with and loans to banks and other financial institutions	–	–	214,343	89,477	197,592	8,002	1,461	–	510,875
Financial assets held under resale agreements	3,915	–	1,152,070	9,713	8,951	–	–	–	1,174,649
Loans and advances to customers	69,763	–	761,379	1,201,123	5,098,813	5,913,248	13,302,937	–	26,347,263
Financial assets at fair value through profit or loss	–	3,120	4,372	23,496	93,412	78,252	265,549	123,250	591,451
Debt instrument investments at amortized cost	1,308	–	60,167	146,879	690,483	3,111,553	5,005,895	–	9,016,285
Other debt instrument and other equity investments at fair value through other comprehensive income	121	–	56,112	110,418	440,003	708,529	610,826	4,701	1,930,710
Other financial assets	5,203	73,697	1,174	193	3,132	858	7,710	–	91,967
Total non-derivative financial assets	80,310	397,672	2,318,843	1,740,086	6,851,831	9,827,901	19,194,378	2,438,081	42,849,102
Non-derivative financial liabilities									
Borrowings from central banks	–	(33)	(112,845)	(104,746)	(697,076)	(944)	–	–	(915,644)
Deposits from banks and other financial institutions	–	(1,683,473)	(127,254)	(212,647)	(302,080)	(144,069)	–	–	(2,469,523)
Placements from banks and other financial institutions	–	(3,442)	(117,966)	(101,840)	(101,573)	(10,676)	(2,891)	–	(338,388)
Financial liabilities at fair value through profit or loss	–	(12,039)	–	–	(44)	(204)	–	–	(12,287)
Financial assets sold under repurchase agreements	–	–	(13,775)	(16,108)	(13,482)	(701)	–	–	(44,066)
Due to customers	–	(13,399,420)	(758,152)	(1,495,385)	(3,974,506)	(5,900,104)	(10,666)	–	(25,538,233)
Debt securities issued	–	–	(44,980)	(520,814)	(850,121)	(195,391)	(386,684)	–	(1,997,990)
Other financial liabilities	–	(147,414)	(1,906)	(684)	(7,447)	(11,257)	(15,560)	–	(184,268)
Total non-derivative financial liabilities	–	(15,245,821)	(1,176,878)	(2,452,224)	(5,946,329)	(6,263,346)	(415,801)	–	(31,500,399)
Net position	80,310	(14,848,149)	1,141,965	(712,138)	905,502	3,564,555	18,778,577	2,438,081	11,348,703

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.2 Liquidity risk (Continued)

Derivative cash flows

Derivatives settled on a net basis

The tables below present the undiscounted contractual cash flows of the Group's net derivative positions based on their remaining contractual maturities:

	31 December 2023					
	Less than 1 month	**1–3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Total**
Derivatives settled on a net basis	**(26)**	**(549)**	**(1,443)**	**(42)**	**–**	**(2,060)**

	31 December 2022					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Derivatives settled on a net basis	(1,392)	489	1,558	67	–	722

Derivatives settled on a gross basis

The tables below present the undiscounted contractual cash flows of the Group's gross derivative positions based on their remaining contractual maturities:

	31 December 2023					
	Less than 1 month	**1–3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Total**
Derivatives settled on a gross basis						
— Cash inflow	**468,867**	**343,763**	**753,701**	**52,155**	**828**	**1,619,314**
— Cash outflow	**(472,545)**	**(344,648)**	**(753,886)**	**(49,782)**	**(464)**	**(1,621,325)**
Total	**(3,678)**	**(885)**	**(185)**	**2,373**	**364**	**(2,011)**

	31 December 2022					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Derivatives settled on a gross basis						
— Cash inflow	216,726	272,243	469,123	296,445	36,192	1,290,729
— Cash outflow	(219,050)	(272,191)	(469,332)	(294,755)	(36,015)	(1,291,343)
Total	(2,324)	52	(209)	1,690	177	(614)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.2 Liquidity risk (Continued)

Off-balance sheet items

The off-balance sheet items primarily include loan commitments, bank acceptances, credit card commitments, letters of guarantee and guarantees and letters of credit. The tables below summarize the amounts of credit commitments by remaining maturity. Financial guarantees are also included below at notional amounts and based on the earliest contractual maturity date.

	31 December 2023			
	Less than 1 year	**1–5 years**	**Over 5 years**	**Total**
Loan commitments	**100,012**	**108,100**	**157,735**	**365,847**
Bank acceptances	**1,024,150**	**–**	**–**	**1,024,150**
Credit card commitments	**873,029**	**–**	**–**	**873,029**
Letters of guarantee and guarantees	**177,954**	**174,552**	**21,409**	**373,915**
Letters of credit	**196,217**	**22,257**	**350**	**218,824**
Total	**2,371,362**	**304,909**	**179,494**	**2,855,765**

	31 December 2022			
	Less than 1 year	1–5 years	Over 5 years	Total
Loan commitments	129,074	125,563	161,004	415,641
Bank acceptances	702,237	–	–	702,237
Credit card commitments	797,219	–	–	797,219
Letters of guarantee and guarantees	155,951	156,531	16,938	329,420
Letters of credit	157,063	10,448	365	167,876
Total	1,941,544	292,542	178,307	2,412,393

44.3 Market risk

Market risk represents the potential loss arising from changes in market rates of interest and foreign exchange, as well as commodity and equity prices. Market risk arises from both the Group's proprietary positions and customer driven transactions, in both cases related to on-and off-balance sheet activities.

The Group is primarily exposed to interest rate risk through corporate, personal banking and treasury operations. Interest rate risk is inherent in many of the Group's businesses and this situation is common among large banks. It fundamentally arises through mismatches between the maturity and re-pricing dates of interest-earning assets and interest-bearing liabilities.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Foreign exchange rate risk is the potential loss related to changes in foreign exchange rates affecting the translation of foreign currency denominated assets and liabilities. The risk of loss results from movements in foreign currency exchange rates.

The Group is also exposed to commodity risk, primarily related to gold and other precious metals. The risk of loss results from movements in commodity price. The Group manages the risk related to gold price together with foreign exchange rate risk.

The Group has determined that the levels of market risk related to changes in equity prices and commodity prices other than gold, with respect to the related exposures in its trading and investment portfolios, are immaterial.

Segregation of Trading Book and Banking Book

To enhance the effectiveness of market risk management, as well as the accuracy of determining the levels of regulatory capital required related to market risk, the Group segregates assets and liabilities, both on-and off-balance sheet, into either the trading book or banking book. The trading book is comprised of financial instruments and commodity positions held for trading or risk hedging. Any other positions are included in the banking book.

Market Risk Management for Trading Book

The Group manages market risk in the trading book through methodologies that include Value at Risk (VaR), monitoring and management of established limits, sensitivity analysis, duration analysis, exposure analysis and stress testing.

Based on changes in the external market and business operations, the Group formulates annual financial market business risk management strategy, and further clarifies the admission standards and specific management requirements to be followed for bond trading and derivatives trading. The Group establishes market risk exposure limits, and uses the limit indicator system with VaR as the core and the market risk management system to realize the measurement and monitoring of market risk in the trading book.

The Bank has adopted an historical simulation method, with a confidence level of 99% based on holding period of 1 day and historical data for 250 days to calculate the VaR of the trading book, which includes the Head Office, domestic branches and overseas branches. Based on the differences between domestic and overseas markets, the Bank selected applicable parameters for model and risk factors in order to reflect the actual market risk levels. The Bank verified the accuracy and reliability of market risk measurement models through data analysis, parallel modeling, and back-testing of the market risk measurement models.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Market Risk Management for Trading Book (Continued)

VaR Analysis for the Trading Book

Bank

	Note	2023 At the end of the year	Average	Maximum	Minimum
Interest rate risk		**37**	**63**	**102**	**8**
Exchange rate risk	(1)	**252**	**236**	**327**	**120**
Commodity risk		**14**	**32**	**42**	**14**
Overall VaR		**249**	**246**	**347**	**142**

Bank

	Note	2022 At the end of the year	Average	Maximum	Minimum
Interest rate risk		63	43	70	29
Exchange rate risk	(1)	110	93	203	11
Commodity risk		23	34	62	22
Overall VaR		138	112	216	55

(1) VaR related to gold is recognized as a component of foreign exchange rate risk.

The Bank calculates VaR for its trading book (excluding RMB foreign currency settlement contracts with customers under relevant regulations). The Bank conducts stress testing for its trading book quarterly. The specific areas subject to this testing include the major areas of exposure, such as bonds, interest rate derivatives, foreign exchange derivatives and precious metal. The stress testing uses a range of scenarios to assess the potential impact on profit and loss.

Market Risk Management for Banking Book

The Group manages market risk related to the banking book by consistently applying techniques across the Group that include exposure limit management, stress testing, scenario analysis and gap analysis.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Market Risk Management for Banking Book (Continued)

Interest Rate Risk Management

Interest rate risk refers to the risk that the adverse changes in interest rate levels and maturity structures will cause the economic value of the banking book or overall income to suffer losses. The Bank's book interest rate risk mainly comes from the mismatch of maturity or repricing periods of interest-sensitive assets and liabilities in the Bank's book and the inconsistent changes in the benchmark interest rate on which assets and liabilities are based.

Since the People's Bank of China's RMB Loan Prime Rate (LPR) reform, the Bank has implemented relevant policies in accordance with regulatory requirements, promoted business system transformation, modified system loan contracts, improved internal and external interest rate pricing mechanisms, strengthened staff training for branches, comprehensively promoted LPR applications, and basically realized the entire system and the entire process of loan pricing application of LPR pricing. After the People's Bank of China reforms LPR, the connection between the benchmark interest rate on loans and the market interest rate will be closer, and the frequency and amplitude of volatility will increase relatively. To this end, the Bank strengthened the monitoring and prejudgment of the external interest rate environment, adjusted internal and external pricing strategies in a timely manner, optimized the asset and liability product structure and maturity structure, and proactively adjusted the risk structure to reduce the economic value and overall impact of interest rate changes and the adverse impact of earnings. During the reporting period, the Bank's interest rate risk level was generally stable, and all quota indicators were controlled within the scope of regulatory requirements and management objectives.

Foreign Exchange Rate Risk Management

Foreign exchange rate risk relates to the mismatch of foreign currency denominated assets and liabilities, and the potential loss related to changes in foreign exchange rates, which largely arises through operational activities.

The Group performs monitoring and sensitivity analysis of foreign exchange rate risk exposure, manages the mismatch of foreign currency denominated assets and liabilities to effectively manage foreign exchange rate risk exposure within acceptable limits.

Market Risk Exposure Limit Management

Market risk exposure limits of the Group are classified as either directive limits or indicative limits, including position limits, stop-loss limits, VaR limits, and stress testing limits.

The Group is committed to continuous improvement of its market risk exposure limit management. The Group establishes exposure limits reflecting its risk appetite and continuously refines the categorization of market risk exposure limits. Further, it regularly monitors, reports, refines, and implements improvements to the market risk exposure limit process.

Foreign exchange rate risk

The Group primarily conducts its business activities in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent, other currencies.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

The composition of all financial assets and liabilities at the end of each reporting period analyzed by currency is as follows:

	31 December 2023				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,817,659	75,462	1,439	27,487	2,922,047
Deposits with banks and other financial institutions	952,425	34,206	3,914	89,531	1,080,076
Placements with and loans to banks and other financial institutions	273,973	176,696	51,847	13,665	516,181
Derivative financial assets	16,718	2,715	2,849	2,591	24,873
Financial assets held under resale agreements	1,809,559	–	–	–	1,809,559
Loans and advances to customers	21,190,871	367,196	68,569	105,130	21,731,766
Financial assets at fair value through profit or loss	528,956	15,633	1,453	1,365	547,407
Debt instrument investments at amortized cost	8,325,508	117,301	14,656	5,790	8,463,255
Other debt instrument and other equity investments at fair value through other comprehensive income	1,871,112	257,247	11,189	63,503	2,203,051
Other financial assets	129,292	10,424	2,370	1,577	143,663
Total financial assets	37,916,073	1,056,880	158,286	310,639	39,441,878
Borrowings from central banks	(1,126,049)	–	–	(1,020)	(1,127,069)
Deposits from banks and other financial institutions	(3,577,419)	(50,430)	(23,448)	(2,200)	(3,653,497)
Placements from banks and other financial institutions	(88,192)	(204,480)	(56,710)	(32,908)	(382,290)
Financial liabilities at fair value through profit or loss	(12,276)	–	(321)	–	(12,597)
Derivative financial liabilities	(20,395)	(2,315)	(1,507)	(3,600)	(27,817)
Financial assets sold under repurchase agreements	(7,216)	(83,654)	–	(9,651)	(100,521)
Due to customers	(28,200,270)	(483,686)	(45,842)	(168,670)	(28,898,468)
Debt securities issued	(1,995,351)	(231,691)	(34,002)	(34,877)	(2,295,921)
Other financial liabilities	(139,636)	(17,544)	(1,171)	(1,643)	(159,994)
Total financial liabilities	(35,166,804)	(1,073,800)	(163,001)	(254,569)	(36,658,174)
Net on-balance sheet position	2,749,269	(16,920)	(4,715)	56,070	2,783,704
Net notional amount of derivatives	132,838	20,198	26,915	(60,272)	119,679
Loan commitments and financial guarantee contracts	2,580,632	217,252	13,818	44,063	2,855,765

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

The composition of all financial assets and liabilities at the end of each reporting period analyzed by currency is as follows: (Continued)

	31 December 2022				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,451,239	62,050	2,493	33,348	2,549,130
Deposits with banks and other financial institutions	556,431	40,426	3,514	30,514	630,885
Placements with and loans to banks and other financial institutions	226,596	201,279	48,943	23,512	500,330
Derivative financial assets	22,433	3,242	2,466	2,574	30,715
Financial assets held under resale agreements	1,172,187	–	–	–	1,172,187
Loans and advances to customers	18,512,313	310,569	68,962	89,129	18,980,973
Financial assets at fair value through profit or loss	509,877	10,355	793	1,032	522,057
Debt instrument investments at amortized cost	7,169,086	120,139	4,216	12,559	7,306,000
Other debt instrument and other equity investments at fair value through other comprehensive income	1,399,333	226,214	6,924	69,635	1,702,106
Other financial assets	80,490	3,120	2,656	1,130	87,396
Total financial assets	32,099,985	977,394	140,967	263,433	33,481,779
Borrowings from central banks	(899,455)	–	–	(1,661)	(901,116)
Deposits from banks and other financial institutions	(2,390,553)	(30,949)	(26,589)	(11,087)	(2,459,178)
Placements from banks and other financial institutions	(78,693)	(191,969)	(40,088)	(23,005)	(333,755)
Financial liabilities at fair value through profit or loss	(12,243)	–	(44)	–	(12,287)
Derivative financial liabilities	(23,656)	(2,083)	(2,019)	(3,246)	(31,004)
Financial assets sold under repurchase agreements	(11,855)	(23,671)	–	(8,253)	(43,779)
Due to customers	(24,461,622)	(581,718)	(30,946)	(46,754)	(25,121,040)
Debt securities issued	(1,559,352)	(253,818)	(20,772)	(35,456)	(1,869,398)
Other financial liabilities	(165,085)	(15,027)	(2,044)	(1,243)	(183,399)
Total financial liabilities	(29,602,514)	(1,099,235)	(122,502)	(130,705)	(30,954,956)
Net on-balance sheet position	2,497,471	(121,841)	18,465	132,728	2,526,823
Net notional amount of derivatives	146,496	119,764	4,936	(120,394)	150,802
Loan commitments and financial guarantee contracts	2,149,291	213,226	12,193	37,683	2,412,393

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

The table below indicates the potential effect on profit before tax and other comprehensive income arising from a 5% appreciation or depreciation of RMB spot and forward foreign exchange rates against a basket of all other currencies on the net positions of foreign currency monetary assets and liabilities and derivative instruments in the consolidated statement of financial position of the Group.

	31 December 2023		31 December 2022	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
5% appreciation	**(1,368)**	**341**	(2,265)	629
5% depreciation	**1,368**	**(341)**	2,265	(629)

The effect on profit before tax and other comprehensive income is calculated based on the assumption that the Group's foreign currency sensitive exposures and foreign currency derivative instruments net position at the end of each reporting period remain unchanged. The Group mitigates its foreign exchange rate risk through active management of its foreign currency exposures and the appropriate use of derivative instruments, based on management expectation of future foreign currency exchange rate movements. Such analysis does not take into account the correlation effect of changes in different foreign currencies, nor any further actions that could be taken by management to mitigate the effect of foreign exchange differences. Therefore, the sensitivity analysis above may differ from actual results occurring through changes in foreign exchange rates.

Interest rate risk

The Group's interest rate risk arises from the mismatches between contractual maturities or re-pricing dates of interest-generating assets and interest-bearing liabilities, as well as the inconsistent variations in the benchmark interest rate on which the assets and liabilities are based. The Group's interest-generating assets and interest-bearing liabilities are primarily denominated in RMB. The PBOC stipulated the benchmark interest rate for RMB deposits. The deposit interest rate floating ceiling was removed by the PBOC with effect from 24 December 2015 for commercial banks. Since 16 August 2019, the PBOC established LPR to replace RMB benchmark interest rates for loan as a pricing benchmark of new loan whereby financial institutions are in a position to price their loans based on commercial and market factors.

The Group manages its interest rate risk by:

— Strengthen the pre-judgment of the situation and analyze the macroeconomic factors that may affect the LPR interest rate, the benchmark deposit interest rate and the market interest rate;

— Strengthen strategy transmission and optimize the repricing term structure of interest-earning assets and interest-bearing liabilities;

— Implement limit management to control the impact of interest rate changes on the economic value and overall income of banking books within the limits.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Interest rate risk (Continued)

The tables below summarize the contractual maturity or re-pricing date, whichever is earlier, of the Group's financial assets and liabilities at the end of each reporting period:

	31 December 2023						
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	2,673,721	–	10,524	–	–	237,802	2,922,047
Deposits with banks and other financial institutions	285,086	96,101	670,690	16,947	–	11,252	1,080,076
Placements with and loans to banks and other financial institutions	184,543	98,819	211,918	17,362	–	3,539	516,181
Derivative financial assets	–	–	–	–	–	24,873	24,873
Financial assets held under resale agreements	1,792,438	10,303	1,476	–	–	5,342	1,809,559
Loans and advances to customers	5,377,071	3,660,201	11,355,552	821,121	467,469	50,352	21,731,766
Financial assets at fair value through profit or loss	3,120	41,560	108,124	37,472	218,534	138,597	547,407
Debt instrument investments at amortized cost	80,170	148,416	518,797	2,488,081	5,077,004	150,787	8,463,255
Other debt instrument and other equity investments at fair value through other comprehensive income	90,533	309,528	585,803	614,968	577,793	24,426	2,203,051
Other financial assets	–	–	–	–	–	143,663	143,663
Total financial assets	10,486,682	4,364,928	13,462,884	3,995,951	6,340,800	790,633	39,441,878
Borrowings from central banks	(120,354)	(177,111)	(816,714)	–	–	(12,890)	(1,127,069)
Deposits from banks and other financial institutions	(2,554,534)	(344,236)	(505,377)	(223,744)	(7,400)	(18,206)	(3,653,497)
Placements from banks and other financial institutions	(137,162)	(133,058)	(103,998)	(2,673)	(2,337)	(3,062)	(382,290)
Financial liabilities at fair value through profit or loss	(80)	–	(321)	(209)	–	(11,987)	(12,597)
Derivative financial liabilities	–	–	–	–	–	(27,817)	(27,817)
Financial assets sold under repurchase agreements	(18,690)	(40,398)	(40,715)	–	–	(718)	(100,521)
Due to customers	(14,978,192)	(1,774,052)	(4,446,867)	(7,232,534)	(7,650)	(459,173)	(28,898,468)
Debt securities issued	(175,187)	(536,137)	(997,562)	(89,151)	(484,976)	(12,908)	(2,295,921)
Other financial liabilities	–	–	–	–	–	(159,994)	(159,994)
Total financial liabilities	(17,984,199)	(3,004,992)	(6,911,554)	(7,548,311)	(502,363)	(706,755)	(36,658,174)
Interest rate gap	(7,497,517)	1,359,936	6,551,330	(3,552,360)	5,838,437	83,878	2,783,704

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Interest rate risk (Continued)

The tables below summarize the contractual maturity or re-pricing date, whichever is earlier, of the Group's financial assets and liabilities at the end of each reporting period: (Continued)

	31 December 2022						
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	2,290,703	–	1,479	–	–	256,948	2,549,130
Deposits with banks and other financial institutions	145,656	155,047	313,789	6,714	–	9,679	630,885
Placements with and loans to banks and other financial institutions	215,067	94,572	184,103	3,808	–	2,780	500,330
Derivative financial assets	–	–	–	–	–	30,715	30,715
Financial assets held under resale agreements	1,148,899	9,648	8,823	–	–	4,817	1,172,187
Loans and advances to customers	4,367,833	2,990,459	10,388,924	780,984	409,853	42,920	18,980,973
Financial assets at fair value through profit or loss	4,712	27,798	89,739	36,243	204,647	158,918	522,057
Debt instrument investments at amortized cost	54,222	125,806	502,088	2,378,345	4,110,472	135,067	7,306,000
Other debt instrument and other equity investments at fair value through other comprehensive income	67,249	125,564	394,577	575,672	518,612	20,432	1,702,106
Other financial assets	–	–	–	–	–	87,396	87,396
Total financial assets	8,294,341	3,528,894	11,883,522	3,781,766	5,243,584	749,672	33,481,779
Borrowings from central banks	(109,923)	(102,708)	(678,938)	–	–	(9,547)	(901,116)
Deposits from banks and other financial institutions	(1,800,732)	(206,070)	(295,798)	(138,920)	–	(17,658)	(2,459,178)
Placements from banks and other financial institutions	(120,034)	(100,254)	(100,017)	(8,851)	(2,572)	(2,027)	(333,755)
Financial liabilities at fair value through profit or loss	–	–	(44)	(204)	–	(12,039)	(12,287)
Derivative financial liabilities	–	–	–	–	–	(31,004)	(31,004)
Financial assets sold under repurchase agreements	(13,749)	(15,924)	(13,198)	(699)	–	(209)	(43,779)
Due to customers	(14,110,126)	(1,436,280)	(3,803,857)	(5,378,056)	(9,115)	(383,606)	(25,121,040)
Debt securities issued	(56,638)	(536,873)	(819,900)	(110,345)	(335,028)	(10,614)	(1,869,398)
Other financial liabilities	–	–	–	–	–	(183,399)	(183,399)
Total financial liabilities	(16,211,202)	(2,398,109)	(5,711,752)	(5,637,075)	(346,715)	(650,103)	(30,954,956)
Interest rate gap	(7,916,861)	1,130,785	6,171,770	(1,855,309)	4,896,869	99,569	2,526,823

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Interest rate risk (Continued)

The following table illustrates the potential pre-tax impact, of a parallel upward or downward shift of 100 basis points in relevant interest rate curves on the Group's net interest income and other comprehensive income for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets and interest-bearing liabilities at the end of each reporting period. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparalleled yield curve movements.

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behavior, basis risk or any prepayment options on debt securities into consideration.

The sensitivity analysis on other comprehensive income reflects only the effect of changes in fair value of those financial instruments classified as other debt instrument investments and other equity investments at fair value through other comprehensive income held, whose fair value changes are recorded as an element of other comprehensive income.

	31 December 2023		31 December 2022	
	Net interest income	**Other comprehensive income**	Net interest income	Other comprehensive income
+100 basis points	**(35,951)**	**(69,135)**	(43,303)	(59,146)
- 100 basis points	**35,951**	**69,135**	43,303	59,146

The assumptions do not reflect actions that might be taken under the Group's capital and interest rate risk management policy to mitigate changes to the Group's interest rate risk. Therefore the above analysis may differ from the actual situation.

In addition, the presentation of interest rate sensitivity above is for illustration purposes only, showing the potential impact on net interest income and other comprehensive income of the Group under different parallel yield curve movements, relative to their position at period-end, excluding the derivative positions.

44.4 Country Risk

Country risk represents the risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which results in the debtors in that country or region incapable of or unwilling to pay their debts owed to the Bank or otherwise leads to business losses or other losses to the Bank in that country or region.

According to the regulatory requirements of NFRA, the Bank managed country risk through tools and approaches such as country risk rating, limit approval, exposure analysis and stress testing. Meanwhile, we made adequate, reasonable and prudent provision for country risk in accordance with regulatory requirements.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.5 Insurance risk

The Group engages in its insurance business primarily in Chinese mainland. Insurance risk refers to the financial impact resulting from the unexpected occurrence of insured events. These risks are actively managed by the Group through effective sales management, underwriting control, reinsurance management and claim management. Through effective sales management, the risk of mis-selling could be reduced and the accuracy of information used for underwriting is improved. Through underwriting control, risk of adverse selection could be reduced and moreover differential pricing policy based on the level of each kind of risk could be utilized. Through reinsurance, the Group's insurance capacity could be enhanced and targeted risks could be mitigated. Effective claims management is designed to ensure that insurance payments are controlled according to established criteria.

Uncertainty in the estimation of future benefit payments and premium receipts for long-term life insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality. The Group conducts experience analysis of mortality rate and surrender rate, in order to improve its risk assessment and as a basis for reasonable estimates.

45 CAPITAL MANAGEMENT

The Group's capital management objectives are as follows:

— maintain an adequate capital base to support the development of its business;

— support the Group's financial stability and profitable growth;

— allocate capital through an efficient and risk based approach to optimize risk-adjusted return to shareholders; and

— safeguard the long-term sustainability of the Group's franchise so that it can continue to provide sufficient shareholder returns and benefits for other stakeholders.

The "Capital Rules for Commercial Banks (Provisional)" issued by the NFRA in 2012 includes, among other things, requirements for minimum capital, capital conservation buffer, additional capital surcharge for systemically important banks, countercyclical buffer and Pillar II capital as follows:

— minimum regulatory requirements for Common Equity Tier-one Capital Adequacy Ratio, Tier-one Capital Adequacy Ratio and Capital Adequacy Ratio are 5%, 6% and 8%, respectively;

— capital conservation buffer requires additional 2.5% of Common Equity Tier-one Capital Adequacy Ratio;

— additional capital surcharge for systemically important banks requires additional 1% of Common Equity Tier-one Capital Adequacy Ratio;

— should the regulators require countercyclical buffer under particular circumstances or regulators impose additional Pillar II capital requirements for specific banks, these requirements shall be met within the specified time limits.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 CAPITAL MANAGEMENT (Continued)

In April 2014, the NFRA officially approved the Group to adopt advanced capital management approach. Within the scope of the approval, the Internal Ratings-Based approach is adopted to Credit Risk-weighted Assets for both retail and non-retail risk exposures, and the Standardized approach for both Operational Risk-weighted Assets and Market Risk-weighted Assets. The NFRA will determine the parallel run period for the Group, which should last for at least three years. During the parallel run period, the Group should calculate its Capital Adequacy Ratios under the advanced approach and the non-advanced approach, and should conform to the capital floor requirements as stipulated in the "Capital Rules for Commercial Banks (Provisional)".

In January 2017, the NFRA officially approved the Group to adopt the Internal Models approach to measure its Market Risk-weighted Assets for qualified risk exposures.

Capital adequacy and the utilization of regulatory capital are closely monitored by the Group's management in accordance with the guidelines developed by the Basel Committee and relevant regulations promulgated by the NFRA. Required information related to capital levels and utilization is filed quarterly with the NFRA.

The Group's capital adequacy ratio calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the NFRA as at the end of the reporting period is as follows:

	Notes	31 December 2023	31 December 2022
Common Equity Tier-one Capital Adequacy Ratio	(1)	**10.72%**	11.15%
Tier-one Capital Adequacy Ratio	(1)	**12.87%**	13.37%
Capital Adequacy Ratio	(1)	**17.14%**	17.20%
Common Equity Tier-one Capital	(2)	**2,409,743**	2,228,589
Deductible Items from Common Equity Tier-one Capital	(3)	**(14,803)**	(12,977)
Net Common Equity Tier-one Capital		**2,394,940**	2,215,612
Additional Tier-one Capital	(4)	**480,009**	440,009
Net Tier-one Capital		**2,874,949**	2,655,621
Tier-two Capital	(5)	**953,222**	760,728
Net Capital		**3,828,171**	3,416,349
Risk-weighted Assets	(6)	**22,338,078**	19,862,505

Pursuant to the "Capital Rules for Commercial Banks (Provisional)":

(1) The scope of consolidation related to the calculation of the Group's Capital Adequacy Ratios includes Domestic Institutions, Overseas Institutions and affiliated financial subsidiaries specified in the Regulation.

The Common Equity Tier-one Capital Adequacy Ratio is calculated as Net Common Equity Tier-one Capital divided by Risk-weighted Assets. The Tier-one Capital Adequacy Ratio is calculated as Net Tier- one Capital divided by Risk-weighted Assets. The Capital Adequacy Ratio is calculated as Net Capital divided by Risk-weighted Assets.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 CAPITAL MANAGEMENT (Continued)

(2) The Group's Common Equity Tier-one Capital includes: ordinary share capital, capital reserve (subject to regulatory limitations), surplus reserve, general reserve, retained earnings, non-controlling interests (to the extent permitted in the Common Equity Tier-one Capital under the Regulation), and the foreign currency translation reserve, etc.

(3) The Group's Deductible Items from Common Equity Tier-one Capital include: other intangible assets (excluding land-use rights), and Common Equity Tier-one Capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope for the Capital Adequacy Ratios calculation.

(4) The Group's Additional Tier-one Capital includes: other equity instruments issued and non-controlling interests (to the extent permitted in the Additional Tier-one Capital definition under the Regulation).

(5) The Group's Tier-two Capital includes: Tier-two capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and minority interests (to the extent permitted in the Tier-two Capital definition under the Regulation).

(6) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets.

46 FAIR VALUE OF FINANCIAL INSTRUMENTS

The majority of the Group's assets and liabilities in the consolidated statement of financial position are financial assets and financial liabilities. Fair value measurement of non-financial assets and non-financial liabilities does not have a material impact on the Group's financial position and operations, taken as a whole.

The Group does not have any financial assets or financial liabilities subject to non-recurring fair value measurements for the years ended 31 December 2023 and 31 December 2022.

46.1 Valuation technique, input and process

The fair value of the Group's financial assets and financial liabilities are determined as follows:

— If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

— If not traded in active markets, fair values of financial assets and financial liabilities are determined by using valuation techniques. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models.

The Group has established an independent valuation process for financial assets and financial liabilities. The Financial Accounting Department of head office establishes the valuation models for financial assets and financial liabilities of head office and its branches in China and independently implements the valuation on a regular basis; and the Risk Management Department is responsible for validating the valuation model, the Operations Departments records the accounting for these items. Overseas branches and sub-branches designate departments or personnel that are independent from the front trading office to perform valuation in accordance with the local regulatory requirements and their own department settings.

The Board of Directors shall be responsible for establishing and improving the internal control system related to the valuation of financial instruments and approving valuation policies.

For the years ended 31 December 2023 and 31 December 2022, there were no significant changes in the valuation techniques or inputs used to determine fair value measurements.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

46.2 Fair value hierarchy

The level in which fair value measurement is categorized is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and

Level 3: fair value measurements are not based on observable market data.

46.3 Financial assets and financial liabilities not measured at fair value in the consolidated statement of financial position

The tables below summarize the carrying amounts and fair values of those financial assets and financial liabilities not measured in the consolidated statement of financial position at their fair value. Financial assets and financial liabilities for which the carrying amounts approximate fair value, such as balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers, receivable from the MOF, special government bond, borrowings from central banks, deposits and placements from banks and other financial institutions, due to customers, financial assets sold under repurchase agreements and certificates of deposit issued, interbank certificate of deposits issued and commercial papers issued are not included in the tables below.

	31 December 2023				
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Debt instrument investments at amortized cost (excluding receivable from the MOF and special government bond)	**8,028,554**	**8,296,564**	**72,433**	**8,161,452**	**62,679**
Financial liabilities					
Bonds issued	**627,615**	**624,941**	**45,222**	**579,719**	**–**

	31 December 2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Debt instrument investments at amortized cost (excluding receivable from the MOF and special government bond)	6,878,808	7,040,956	76,954	6,878,799	85,203
Financial liabilities					
Bonds issued	487,477	484,583	53,371	431,212	–

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

46.4 Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position

The tables below summarize the fair values of the financial assets and financial liabilities measured in the consolidated statement of financial position at their fair value.

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Derivative financial assets				
— Exchange rate derivatives	–	22,151	–	22,151
— Interest rate derivatives	–	2,502	–	2,502
— Precious metal derivatives and others	–	220	–	220
Subtotal	–	24,873	–	24,873
Loans and advances to customers				
— Discounted bills and forfeiting	–	1,493,925	–	1,493,925
Subtotal	–	1,493,925	–	1,493,925
Financial investment				
Financial assets at fair value through profit or loss				
— Held for trading				
Bonds	7,038	150,571	–	157,609
Precious metal contracts	–	15,487	–	15,487
Equity	7,272	333	–	7,605
Fund and others	8,175	8,773	–	16,948
— Other financial assets at fair value through profit or loss				
Bonds	1,952	188,675	1,813	192,440
Equity	7,403	8,563	99,340	115,306
Fund and others	410	19,458	21,332	41,200
— Financial assets designated at fair value through profit or loss				
Bonds	772	40	–	812
Subtotal	33,022	391,900	122,485	547,407
Other debt instruments and other equity investments at fair value through other comprehensive income				
— Debt instruments				
Bonds	227,807	1,958,686	–	2,186,493
Others	–	9,192	–	9,192
— Equity instruments	2,968	–	4,398	7,366
Subtotal	230,775	1,967,878	4,398	2,203,051
Total assets	263,797	3,878,576	126,883	4,269,256

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

46.4 Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position (Continued)

The tables below summarize the fair values of the financial assets and financial liabilities measured in the consolidated statement of financial position at their fair value. (Continued)

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Held for trading				
— Financial liabilities related to precious metals	–	(11,987)	–	(11,987)
Financial liabilities designated at fair value through profit or loss				
— Liabilities of the controlled structured entities	–	–	(530)	(530)
— Others	–	(80)	–	(80)
Subtotal	–	(12,067)	(530)	(12,597)
Derivative financial liabilities				
— Exchange rate derivatives	–	(20,513)	–	(20,513)
— Interest rate derivatives	–	(1,420)	–	(1,420)
— Precious metal derivatives and others	–	(5,884)	–	(5,884)
Subtotal	–	(27,817)	–	(27,817)
Due to customers				
Due to customers measured at fair value through profit or loss	–	(8,742)	–	(8,742)
Total liabilities	–	(48,626)	(530)	(49,156)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

46.4 Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position (Continued)

The tables below summarize the fair values of the financial assets and financial liabilities measured in the consolidated statement of financial position at their fair value. (Continued)

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Derivative financial assets				
— Exchange rate derivatives	–	26,850	–	26,850
— Interest rate derivatives	–	2,512	–	2,512
— Precious metal derivatives and others	–	1,353	–	1,353
Subtotal	–	30,715	–	30,715
Loans and advances to customers				
— Discounted bills and forfeiting	–	1,344,182	–	1,344,182
Subtotal	–	1,344,182	–	1,344,182
Financial investment				
Financial assets at fair value through profit or loss				
— Held for trading				
Bonds	5,933	120,665	–	126,598
Precious metal contracts	–	17,988	–	17,988
Equity	5,345	445	–	5,790
Fund and others	5,493	–	–	5,493
— Other financial assets at fair value through profit or loss				
Bonds	–	204,056	1,041	205,097
Equity	8,120	12,475	91,307	111,902
Fund and others	543	25,900	21,496	47,939
— Financial assets designated at fair value through profit or loss				
Bonds	1,210	40	–	1,250
Subtotal	26,644	381,569	113,844	522,057
Other debt instruments and other equity investments at fair value through other comprehensive income				
— Debt instruments				
Bonds	213,030	1,473,792	–	1,686,822
Others	–	10,583	–	10,583
— Equity instruments	1,230	–	3,471	4,701
Subtotal	214,260	1,484,375	3,471	1,702,106
Total assets	240,904	3,240,841	117,315	3,599,060

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

46.4 Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position (Continued)

The tables below summarize the fair values of the financial assets and financial liabilities measured in the consolidated statement of financial position at their fair value. (Continued)

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Held for trading				
— Financial liabilities related to precious metals	–	(12,039)	–	(12,039)
Financial liabilities designated at fair value through profit or loss				
— Liabilities of the controlled structured entities	–	–	(248)	(248)
Subtotal	–	(12,039)	(248)	(12,287)
Derivative financial liabilities				
— Exchange rate derivatives	–	(26,253)	–	(26,253)
— Interest rate derivatives	–	(871)	–	(871)
— Precious metal derivatives and others	–	(3,880)	–	(3,880)
Subtotal	–	(31,004)	–	(31,004)
Due to customers				
Due to customers measured at fair value through profit or loss	–	(27,340)	–	(27,340)
Total liabilities	–	(70,383)	(248)	(70,631)

Substantially all financial instruments classified within Level 2 of the fair value hierarchy are debt investments, currency forwards, currency swaps, interest rate swaps, currency options, precious metal contracts and structured deposit measured at fair value. Fair value of debt investments denominated in RMB is determined based upon the valuation published by the China Central Depository & Clearing Co., Ltd. Fair value of debt investments denominated in foreign currencies is determined based upon the valuation results published by Bloomberg. The fair value of currency forwards, currency swaps, interest rate swaps, currency options and structured deposit measured at fair value are calculated by applying discounted cash flow analysis or the Black Scholes Pricing Model. The fair value of precious metal contracts that are related to the Group's trading activities is determined with reference to the relevant observable market parameters. All significant inputs are observable in the market.

Level 3 financial assets of the Group mainly represented unlisted equity investments. As not all of the inputs needed to estimate the fair value of these assets and liabilities are observable, the Group classified these investment products within Level 3 of the fair value measurement hierarchy. The significant unobservable inputs related to these assets and liabilities are those parameters relating to credit risk, liquidity and discount rate. Management has made assumptions on unobservable inputs based on observed indicators of impairment, significant changes in yield, external credit ratings and comparable credit spreads, but the fair value of these underlying assets and liabilities could be different from those disclosed.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

46.4 Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position (Continued)

The reconciliation of Level 3 classified financial assets and financial liabilities presented at fair value in the consolidated statement of financial position is as follows:

	2023		
	Financial assets at fair value through profit or loss	**Other debt instrument and other equity investments at fair value through other comprehensive income**	**Financial liabilities at fair value through profit or loss**
1 January 2023	**113,844**	**3,471**	**(248)**
Purchases	**24,498**	**901**	**(362)**
Settlements/disposals/transfer out of Level 3	**(15,621)**	**–**	**–**
Total (loss)/gain recognized in			
— Profit or loss	**(236)**	**(244)**	**80**
— Other comprehensive income	**–**	**270**	**–**
31 December 2023	**122,485**	**4,398**	**(530)**
Change in unrealized profit or loss for the year included in profit or loss for assets/liabilities held at the end of the year	**(34)**	**–**	**–**

	2022		
	Financial assets at fair value through profit or loss	Other debt instrument and other equity investments at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss
1 January 2022	98,841	3,424	(214)
Purchases	33,970	38	–
Settlements/disposals/transfer out of Level 3	(19,401)	(1)	–
Total gain/(loss) recognized in			
— Profit or loss	434	243	(34)
— Other comprehensive income	–	(233)	–
31 December 2022	113,844	3,471	(248)
Change in unrealized profit or loss for the year included in profit or loss for assets/liabilities held at the end of the year	523	–	–

In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year are presented in net gain/(loss) on financial investments (Note IV 4) of the consolidated statement of profit or loss.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 EVENTS AFTER THE REPORTING PERIOD

47.1 Profit appropriation

(1) A cash dividend at the dividend rate of 4.84% per annum related to the second tranche of preference shares amounting to RMB1,936 million (tax included) in total was approved at the Board of Directors' Meeting held on 31 January 2024 and will be distributed on 11 March 2024.

(2) An interest at the interest rate of 3.49% per annum related to the 2022-first tranche of perpetual bonds of RMB50 billion amounting to RMB1,745 million in total was declared on 20 February 2024 and distributed on 22 February 2024.

(3) Pursuant to the Board of Directors' meeting on 28 March 2024, the proposal for profit appropriations of the Bank for the year ended 31 December 2023 are set forth as follows:

(i) An appropriation of RMB26,240 million to the statutory surplus reserve (Note IV 36);

(ii) An appropriation of RMB75,629 million to the general reserve (Note IV 37);

(iii) A cash dividend of RMB0.2309 (tax included) per ordinary share in respect of the year ended 31 December 2023 based on the number of ordinary shares issued as at 31 December 2023 totaling RMB80,811 million (tax included) (Note IV 10).

As at 31 December 2023, the statutory surplus reserve had been recognized as appropriation. The other two items will be recognized in the Group's financial statements after approval by ordinary equity holders in the forthcoming Annual General Meeting.

47.2 Tier 2 capital notes issued

On 6 February 2024, the Bank completed the public issuance of the "Agricultural Bank of China Limited 2024 Tier 2 Capital Notes (Series 1)" (the "Notes") in the National Interbank Bond Market. The total amount of the Notes is RMB70 billion. The proceeds from this issuance of the Notes will be used to boost the Tier 2 capital of the Bank.

47.3 Undated capital bonds issued

In March 2024, the Bank issued Agricultural Bank of China Limited 2024 Undated Additional Tier 1 Capital Bonds (Series 1) with the total amount of RMB40 billion. The proceeds from the issuance of the bonds will be used to replenish the Bank's additional Tier 1 capital.

48 COMPARATIVE FIGURES

In accordance with the requirements of IFRS 17 (the "New Standards for Insurance Contracts"), the Group has implemented the above standards with the transition date of 1 January 2023, adjusted the presentation of related operations, and adjusted certain comparative figures accordingly, to meet the reporting requirements during this reporting period.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 STATEMENT OF FINANCIAL POSITION OF THE BANK

	As at 31 December	
	2023	2022
Assets		
Cash and balances with central banks	**2,921,494**	2,548,564
Deposits with banks and other financial institutions	**1,054,822**	609,195
Precious metals	**54,356**	83,389
Placements with and loans to banks and other financial institutions	**600,339**	583,079
Derivative financial assets	**24,873**	30,715
Financial assets held under resale agreements	**1,807,717**	1,169,113
Loans and advances to customers	**21,637,777**	18,899,856
Financial investments		
Financial assets at fair value through profit or loss	**375,809**	347,744
Debt instrument investments at amortized cost	**8,432,030**	7,267,567
Other debt instrument and other equity investments at fair value through other comprehensive income	**2,105,474**	1,650,807
Investment in subsidiaries	**51,521**	51,521
Investment in associates and joint ventures	**2,151**	2,105
Property and equipment	**142,045**	141,159
Deferred tax assets	**159,899**	148,699
Other assets	**188,308**	131,534
Total assets	**39,558,615**	33,665,047
Liabilities		
Borrowings from central banks	**1,127,068**	901,077
Deposits from banks and other financial institutions	**3,659,398**	2,475,046
Placements from banks and other financial institutions	**293,716**	263,009
Financial liabilities at fair value through profit or loss	**12,067**	12,039
Derivative financial liabilities	**27,817**	31,004
Financial assets sold under repurchase agreements	**95,345**	35,484
Due to customers	**28,897,264**	25,120,347
Dividends payable	**–**	1,936
Debt securities issued	**2,261,597**	1,828,305
Other liabilities	**323,634**	350,094
Total liabilities	**36,697,906**	31,018,341

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 STATEMENT OF FINANCIAL POSITION OF THE BANK (Continued)

	As at 31 December	
	2023	2022
Equity		
Ordinary shares	**349,983**	349,983
Other equity instruments	**480,000**	440,000
Preference shares	**80,000**	80,000
Perpetual bonds	**400,000**	360,000
Capital reserve	**173,226**	173,227
Other comprehensive income	**42,846**	37,409
Surplus reserve	**271,475**	245,235
General reserve	**448,479**	381,222
Retained earnings	**1,094,700**	1,019,630
Total equity	**2,860,709**	2,646,706
Total equity and liabilities	**39,558,615**	33,665,047

Approved and authorized for issue by the Board of Directors on 28 March 2024.



Chairman *Executive Director*

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50 STATEMENT OF CHANGES IN EQUITY OF THE BANK

	Ordinary shares	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
As at 31 December 2022	349,983	440,000	173,227	37,409	245,235	381,222	1,019,630	2,646,706
Profit for the year	–	–	–	–	–	–	262,396	262,396
Other comprehensive income	–	–	–	5,437	–	–	–	5,437
Total comprehensive income for the year	–	–	–	5,437	–	–	262,396	267,833
Capital contribution from equity holders	–	40,000	(1)	–	–	–	–	39,999
Appropriation to surplus reserve	–	–	–	–	26,240	–	(26,240)	–
Appropriation to general reserve	–	–	–	–	–	67,257	(67,257)	–
Dividends paid to ordinary equity holders	–	–	–	–	–	–	(77,766)	(77,766)
Dividends paid to other equity instruments holders	–	–	–	–	–	–	(16,063)	(16,063)
As at 31 December 2023	349,983	480,000	173,226	42,846	271,475	448,479	1,094,700	2,860,709

	Ordinary shares	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
As at 31 December 2021	349,983	360,000	173,229	32,678	219,926	348,955	913,752	2,398,523
Profit for the year	–	–	–	–	–	–	253,086	253,086
Other comprehensive income	–	–	–	4,731	–	–	–	4,731
Total comprehensive income for the year	–	–	–	4,731	–	–	253,086	257,817
Capital contribution from equity holders	–	80,000	(3)	–	–	–	–	79,997
Appropriation to surplus reserve	–	–	–	–	25,309	–	(25,309)	–
Appropriation to general reserve	–	–	–	–	–	32,267	(32,267)	–
Dividends paid to ordinary equity holders	–	–	–	–	–	–	(72,376)	(72,376)
Dividends paid to other equity instruments holders	–	–	–	–	–	–	(17,239)	(17,239)
Others	–	–	1	–	–	–	(17)	(16)
As at 31 December 2022	349,983	440,000	173,227	37,409	245,235	381,222	1,019,630	2,646,706

According to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Banking (Disclosure) Rules, the Group discloses the following supplementary information:

1. LIQUIDITY COVERAGE RATIOS

	Three months ended			
	31 March 2023	**30 June 2023**	**30 September 2023**	**31 December 2023**
Average Liquidity Coverage Ratio	**124.5%**	**126.5%**	**126.9%**	**123.9%**

	Three months ended			
	31 March 2022	30 June 2022	30 September 2022	31 December 2022
Average Liquidity Coverage Ratio	125.6%	135.5%	132.0%	132.1%

The liquidity coverage ratios were also in accordance with the Rules on Liquidity Risk Management of Commercial Banks issued by the NFRA and applicable calculation requirements, and based on the data determined under the PRC GAAP.

2. CURRENCY CONCENTRATIONS

	Equivalent in millions of RMB			
	USD	**HKD**	**Other**	**Total**
31 December 2023				
Spot assets	**1,130,419**	**160,483**	**316,031**	**1,606,933**
Spot liabilities	**(1,161,549)**	**(161,577)**	**(253,171)**	**(1,576,297)**
Forward purchases	**1,117,602**	**71,148**	**212,257**	**1,401,007**
Forward sales	**(1,029,953)**	**(45,004)**	**(275,451)**	**(1,350,408)**
Net options position	**(82,231)**	**771**	**2,922**	**(78,538)**
Net (short)/long position	**(25,712)**	**25,821**	**2,588**	**2,697**
Net structural position	**(3,884)**	**2,022**	**(3,586)**	**(5,448)**

	Equivalent in millions of RMB			
	USD	HKD	Other	Total
31 December 2022				
Spot assets	1,045,044	141,948	263,427	1,450,419
Spot liabilities	(1,143,263)	(120,483)	(127,830)	(1,391,576)
Forward purchases	956,920	31,985	76,449	1,065,354
Forward sales	(827,280)	(27,049)	(196,765)	(1,051,094)
Net options position	(9,876)	–	(78)	(9,954)
Net long position	21,545	26,401	15,203	63,149
Net structural position	4,162	3,725	4,138	12,025

3. OVERDUE AND RESCHEDULED ASSETS

(1) Gross carrying amount of overdue loans and advances to customers

	As at 31 December	
	2023	2022
Overdue		
Within 3 months	**111,027**	103,332
Between 3 and 6 months	**30,518**	29,203
Between 6 and 12 months	**40,257**	25,301
Over 12 months	**62,728**	55,003
Total	**244,530**	212,839
Percentage of overdue loans and advances to customers in total loans		
Within 3 months	**0.48%**	0.52%
Between 3 and 6 months	**0.14%**	0.15%
Between 6 and 12 months	**0.18%**	0.13%
Over 12 months	**0.28%**	0.28%
Total	**1.08%**	1.08%

(2) Rescheduled loans and advances to customers

	As at 31 December	
	2023	2022
Total rescheduled loans and advances to customers	**44,525**	19,625
Including: rescheduled loans and advances to customers overdue for not more than 3 months	**5,845**	1,147
Percentage of rescheduled loans and advances to customers overdue for not more than 3 months in total loans	**0.03%**	0.01%

As at 31 December 2023, rescheduled loans adopt the methodology based on the Rules on Risk Classification of Financial Assets of Commercial Banks issued by the NFRA and the People's Bank of China, which came into force on 1 July 2023.

(3) Gross carrying amount of overdue placements with and loans to banks and other financial institutions.

As at 31 December 2023 and 31 December 2022, the Group's gross carrying amounts of overdue placements with and loans to banks and other financial institutions were not significant.

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