中国农业银行
AGRICULTURAL BANK OF CHINA

Agricultural Bank of China Limited

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 1288

2023 ANNUAL REPORT

耕耘美丽中国 共创幸福生活

中国农业银行
AGRICULTURAL BANK OF CHINA

Profile

The predecessor of the Bank was Agricultural Cooperative Bank established in 1951. Since the resumption of establishment in February 1979, the Bank has evolved from a state-owned specialized bank to a wholly state-owned commercial bank and subsequently a state-controlled commercial bank. The Bank was restructured into a joint stock limited liability company in January 2009. In July 2010, the Bank was listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

The Bank is one of the major integrated financial service providers in China, aiming at high-quality development, highlighting the two positionings of a leading bank serving rural revitalization and a major bank serving the real economy, and fully implementing the three strategies in Sannong and inclusive finance, green finance and digital operation. Capitalizing on its comprehensive business portfolio, extensive distribution network and advanced IT platform, the Bank provides a diverse portfolio of corporate and retail banking products and services for a broad range of customers and conducts treasury operations and asset management. Our business scope also includes, among other things, investment banking, fund management, financial leasing and life insurance. At the end of 2023, the Bank had total assets of RMB39,872,989 million, total loans and advances to customers of RMB22,614,621 million and deposits from customers of RMB28,898,468 million. Our capital adequacy ratio was 17.14%. The Bank achieved a net profit of RMB269,820 million in 2023.

As of the end of 2023, we had 22,843 domestic branch outlets, including the Head Office, Business Department of the Head Office, four specialized institutions managed by the Head Office, four training institutes, 37 tier-1 branches, 409 tier-2 branches, 3,316 tier-1 sub-branches, 19,025 foundation-level branch outlets and 46 other establishments. Our overseas branch outlets consisted of 13 overseas branches and four overseas representative offices. We had 16 major subsidiaries, including 11 domestic subsidiaries and five overseas subsidiaries.

The Financial Stability Board has included the Bank into the list of Global Systemically Important Banks for ten consecutive years since 2014. In 2023, the Bank ranked No. 3 among global banks in terms of tier 1 capital. At the date of this annual report, Standard & Poor's affirmed long-/short-term issuer credit ratings of the Bank at A/A-1. Moody's affirmed long-/short-term bank deposit ratings of the Bank at A1/P-1 and Fitch Ratings affirmed long-/short-term issuer default ratings of the Bank at A/F1+.

Contents

Definitions

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

1.	ABC/Agricultural Bank of China/ the Bank/the Group/We	Agricultural Bank of China Limited, or Agricultural Bank of China Limited and its subsidiaries
2.	ABC-CA	ABC-CA Fund Management Co., Ltd.
3.	ABC Financial Leasing	ABC Financial Leasing Co., Ltd.
4.	ABC International	ABC International Holdings Limited
5.	ABC Investment	ABC Financial Asset Investment Co., Ltd.
6.	ABC Life Insurance	ABC Life Insurance Co., Ltd.
7.	ABC Wealth Management	ABC Wealth Management Co., Ltd.
8.	Articles of Association	The *Articles of Association of Agricultural Bank of China Limited* amended pursuant to the *Approval on the Articles of Association of Agricultural Bank of China Limited (Jin Fu [2024] No. 94)* from the National Financial Regulatory Administration on 7 March 2024
9.	A Share(s)	Ordinary shares listed domestically which are subscribed and traded in Renminbi
10.	CASs/PRC GAAP	The Accounting Standards for Enterprises promulgated on 15 February 2006 by the Ministry of Finance of the People's Republic of China and other related rules and regulations subsequently issued
11.	County Area Banking Division	An internal division with management mechanism adopted by us for specialized operation of financial services provided to Sannong and the County Areas, as required under our restructuring into a joint stock limited liability company, which focuses on the County Area Banking Business with independence in aspects such as governance mechanism, operational decision making, financial accounting as well as incentive and constraint mechanism to a certain extent
12.	CSRC	China Securities Regulatory Commission
13.	Global Systemically Important Banks	Banks recognized as key players in the financial market with global features as announced by the Financial Stability Board
14.	Green Finance	Economic activities designed to support environmental improvement, respond to climate change and efficient use of resources, that is, financial services provided for project investment and financing, project operation, risk management, etc. in the fields of environmental protection, energy saving, clean energy, green transportation, green building, etc.
15.	H Share(s)	Shares listed on The Stock Exchange of Hong Kong Limited and subscribed and traded in Hong Kong Dollars, the nominal value of which are denominated in Renminbi

16.	Hong Kong Listing Rules	*The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*
17.	Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
18.	Huijin	Central Huijin Investment Ltd.
19.	MOF	Ministry of Finance of the People's Republic of China
20.	NFRA	National Financial Regulatory Administration, or the former China Banking and Insurance Regulatory Commission
21.	PBOC	The People's Bank of China
22.	Sannong	Agriculture, rural areas and rural people
23.	SSF	National Council for Social Security Fund of the People's Republic of China

Basic Corporate Information and Major Financial Indicators

Basic Corporate Information

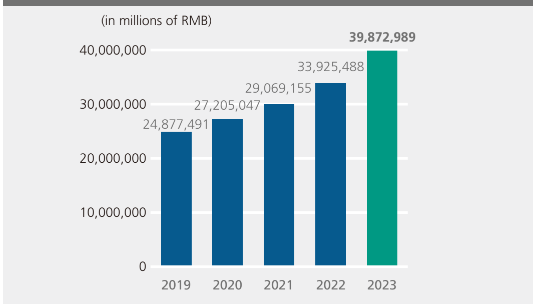
Legal name in Chinese **Abbreviation**	中國農業銀行股份有限公司 中國農業銀行
Legal name in English **Abbreviation**	AGRICULTURAL BANK OF CHINA LIMITED AGRICULTURAL BANK OF CHINA (ABC)
Legal representative	GU Shu
Authorized representative and Company Secretary	LIU Qing
Contact information of Secretary to the Board of Directors	Address: No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC Tel: 86-10-85109619 (Investors Relations) Fax: 86-10-85126571 E-mail: ir@abchina.com
Registered address and office address **Postal code**	No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC 100005
Hotline for customer service and complaint	95599
Internet website	www.abchina.com.cn, www.abchina.com
Principal place of business in Hong Kong	25/F, Agricultural Bank of China Tower, 50 Connaught Road, Central, Hong Kong, PRC
Selected media and websites for information disclosure	*China Securities Journal* (www.cs.com.cn) *Shanghai Securities News* (www.cnstock.com) *Securities Times* (www.stcn.com) *Securities Daily* (www.zqrb.cn)
Website of Shanghai Stock Exchange publishing the annual report (A Shares)	www.sse.com.cn
Website of Hong Kong Stock Exchange publishing the annual report (H Shares)	www.hkexnews.hk
Location where copies of the annual report are kept	Office of the Board of Directors of the Bank
Listing exchange of A Shares **Stock name** **Stock code** **Share registrar**	Shanghai Stock Exchange 農業銀行 601288 China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: No. 188 South Yanggao Road, Pudong New Area, Shanghai, PRC)

Listing exchange of H Shares	The Stock Exchange of Hong Kong Limited
Stock name	ABC
Stock code	1288
Share registrar	Computershare Hong Kong Investor Services Limited (Address: Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, PRC)
Trading exchange and platform of preference shares	The Integrated Business Platform of Shanghai Stock Exchange
Stock name (stock code)	農行優1 (360001), 農行優2 (360009)
Share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: No. 188 South Yanggao Road, Pudong New Area, Shanghai, PRC)
Legal advisor as to laws of Chinese mainland	King & Wood Mallesons
Address	17–18/F, East Tower, World Financial Centre 1, No. 1, Dongsanhuan Zhong Road, Chaoyang District, Beijing, PRC
Legal advisor as to laws of Hong Kong	Clifford Chance
Address	27/F, Jardine House 1 Connaught Place, Central, Hong Kong, PRC
Domestic auditor	KPMG Huazhen LLP
Address	8/F, Office Tower E2, Oriental Plaza, 1 East Chang An Avenue, Dongcheng District, Beijing, PRC
Name of the undersigned accountants	SHI Jian, HUANG Aizhou
International auditor	KPMG
Address	8/F, Prince's Building, 10 Chater Road, Central, Hong Kong, PRC
Name of the undersigned accountant	Wong Yuen Shan

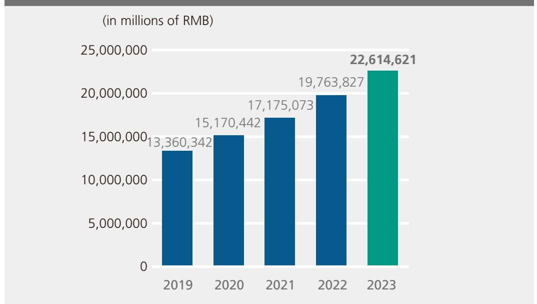
Financial Highlights

(Financial data and indicators recorded in this annual report are prepared in accordance with the International Financial Reporting Standards (the "**IFRSs**") and denominated in RMB, unless otherwise stated)

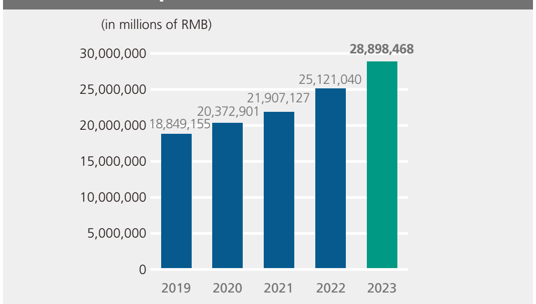
Total assets



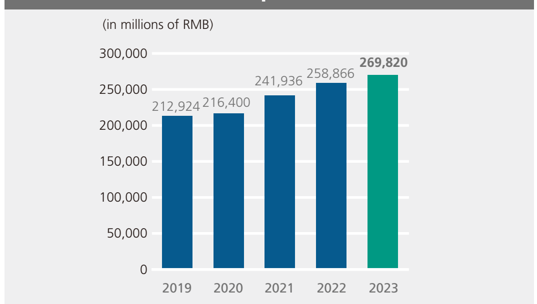
Total loans and advances to customers



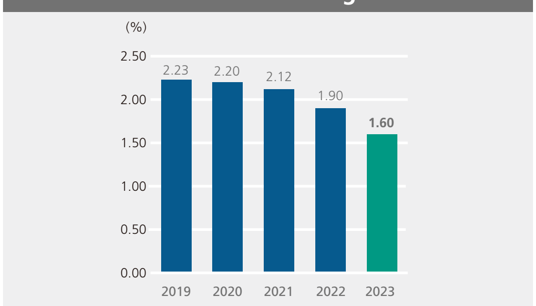
Deposits from customers



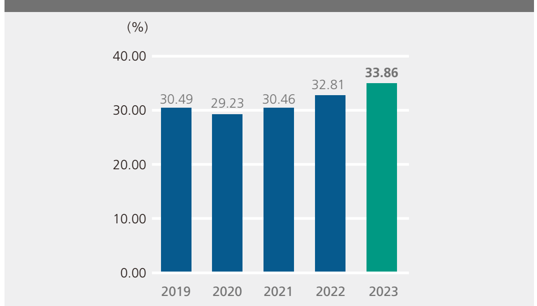
Net profit



Net interest margin

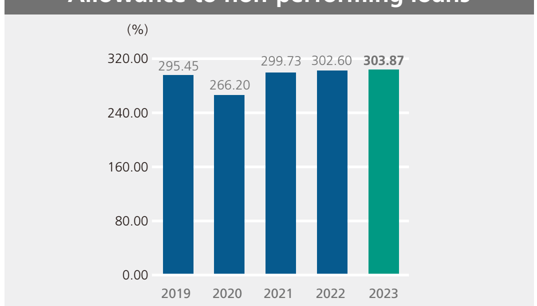


Cost-to-income ratio



Non-performing loan ratio

Allowance to non-performing loans



Major Financial Data

	31 December 2023	31 December 2022 Before adjustment	31 December 2022 After adjustment	31 December 2021	31 December 2020	31 December 2019
At the end of the reporting period (in millions of RMB)						
Total assets	**39,872,989**	33,927,533	33,925,488	29,069,155	27,205,047	24,877,491
Total loans and advances to customers	**22,614,621**	19,765,745	19,763,827	17,175,073	15,170,442	13,360,342
Including: Corporate loans	**12,791,116**	10,741,230	10,741,230	9,168,032	8,134,487	7,095,770
Discounted bills	**1,310,747**	1,007,548	1,007,548	424,329	389,475	421,390
Retail loans	**8,059,915**	7,545,282	7,545,282	7,117,212	6,198,743	5,391,677
Overseas and others	**402,491**	428,661	426,847	426,179	413,416	419,913
Allowance for impairment losses on loans	**882,855**	782,859	782,854	720,570	618,009	540,578
Loans and advances to customers, net	**21,731,766**	18,982,886	18,980,973	16,454,503	14,552,433	12,819,764
Financial investments	**11,213,713**	9,530,163	9,530,163	8,230,043	7,822,659	7,422,930
Cash and balances with central banks	**2,922,047**	2,549,130	2,549,130	2,321,406	2,437,275	2,699,895
Deposits and placements with and loans to banks and other financial institutions	**1,596,257**	1,131,215	1,131,215	665,444	981,133	758,925
Financial assets held under resale agreements	**1,809,559**	1,172,187	1,172,187	837,637	816,206	708,551
Total liabilities	**36,976,122**	31,253,082	31,251,728	26,647,796	24,994,301	22,923,630
Deposits from customers	**28,898,468**	25,121,040	25,121,040	21,907,127	20,372,901	18,849,155
Including: Corporate deposits	**10,477,286**	9,032,456	9,032,456	8,001,650	7,618,591	7,196,002
Retail deposits	**17,109,711**	14,977,766	14,977,766	12,970,450	11,926,040	10,904,731
Overseas and others	**852,298**	727,212	727,212	623,353	562,741	517,440
Deposits and placements from banks and other financial institutions	**4,035,787**	2,792,933	2,792,933	1,913,471	1,785,176	1,829,272
Financial assets sold under repurchase agreements	**100,521**	43,779	43,779	36,033	109,195	53,197
Debt securities issued	**2,295,921**	1,869,398	1,869,398	1,507,657	1,371,845	1,108,212
Equity attributable to equity holders of the Bank	**2,889,248**	2,668,412	2,668,063	2,414,605	2,204,789	1,948,355
Net capital[1]	**3,828,171**	3,416,001	3,416,349	3,057,867	2,817,924	2,498,311
Common Equity Tier 1 (CET1) capital, net[1]	**2,394,940**	2,215,395	2,215,612	2,042,352	1,875,372	1,740,584
Additional Tier 1 capital, net[1]	**480,009**	439,878	440,009	360,009	319,884	199,894
Tier 2 capital, net[1]	**953,222**	760,728	760,728	655,506	622,668	557,833
Risk-weighted assets[1]	**22,338,078**	19,862,505	19,862,505	17,849,566	16,989,668	15,485,352

	2023	2022 Before adjustment	2022 After adjustment	2021	2020	2019
Operating results for the year (in millions of RMB)						
Operating income	**695,468**	725,499	695,283	721,746	659,332	629,350
Net interest income	**571,750**	589,966	589,883	577,987	545,079	500,870
Net fee and commission income	**80,093**	81,282	81,282	80,329	74,545	72,927
Operating expenses	**252,305**	274,023	243,571	260,275	229,897	224,096
Credit impairment losses	**135,707**	145,267	145,266	165,886	164,699	138,605
Total profit before tax	**307,419**	306,216	306,453	295,880	265,050	266,576
Net profit	**269,820**	258,688	258,866	241,936	216,400	212,924
Net profit attributable to equity holders of the Bank	**269,356**	259,140	259,232	241,183	215,925	212,098
Net cash flows generated from/(used in) operating activities	**1,825,282**	1,322,003	1,322,003	239,615	(60,936)	358,396

Financial Indicators

	2023	2022 Before adjustment	2022 After adjustment	2021	2020	2019
Profitability (%)						
Return on average total assets[2]	**0.73**	0.82	0.82	0.86	0.83	0.90
Return on weighted average net assets[3]	**10.91**	11.28	11.29	11.57	11.35	12.43
Net interest margin[4]	**1.60**	1.90	1.90	2.12	2.20	2.23
Net interest spread[5]	**1.45**	1.73	1.73	1.96	2.04	2.09
Return on risk-weighted assets[1, 6]	**1.21**	1.30	1.30	1.36	1.27	1.38
Net fee and commission income to operating income	**11.52**	11.20	11.69	11.13	11.31	11.59
Cost-to-income ratio[7]	**33.86**	31.63	32.81	30.46	29.23	30.49
Data per share (RMB Yuan)						
Basic earnings per share[3]	**0.72**	0.69	0.69	0.65	0.59	0.59
Diluted earnings per share[3]	**0.72**	0.69	0.69	0.65	0.59	0.59
Net cash flows per share generated from/(used in) operating activities	**5.22**	3.78	3.78	0.68	(0.17)	1.02

	31 December 2023	31 December 2022 Before adjustment	31 December 2022 After adjustment	31 December 2021	31 December 2020	31 December 2019
Asset quality (%)						
Non-performing loan ratio[8]	**1.33**	1.37	1.37	1.43	1.57	1.40
Allowance to non-performing loans[9]	**303.87**	302.60	302.60	299.73	266.20	295.45
Allowance to loan ratio[10]	**4.05**	4.16	4.16	4.30	4.17	4.15
Capital adequacy (%)						
Common Equity Tier 1 (CET1) capital adequacy ratio[1]	**10.72**	11.15	11.15	11.44	11.04	11.24
Tier 1 capital adequacy ratio[1]	**12.87**	13.37	13.37	13.46	12.92	12.53
Capital adequacy ratio[1]	**17.14**	17.20	17.20	17.13	16.59	16.13
Risk-weighted assets to total assets ratio[1]	**56.02**	58.54	58.55	61.40	62.45	62.25
Total equity to total assets ratio	**7.27**	7.88	7.88	8.33	8.13	7.85
Data per share (RMB Yuan)						
Net assets per ordinary share[11]	**6.88**	6.37	6.37	5.87	5.39	5.00

Notes:
1. *Figures were calculated in accordance with the Rules on Capital Management of Commercial Banks (Provisional) and other relevant regulations.*
2. *Calculated by dividing net profit by the average balances of total assets at the beginning and the end of the period.*
3. *Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Computation and Disclosure of Return on Net Assets and Earnings per Share (2010 Revision) issued by the CSRC and International Accounting Standard 33 — Earnings per share.*
4. *Calculated by dividing net interest income by the average balances of interest-earning assets.*
5. *Calculated as the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.*
6. *Calculated by dividing net profit by risk-weighted assets at the end of the period. The risk-weighted assets are calculated in accordance with the relevant regulations of the NFRA.*
7. *Calculated by dividing operating and administrative expenses by operating income in accordance with CASs, which is consistent with the corresponding figures as stated in the financial report of the Bank prepared in accordance with CASs.*
8. *Calculated by dividing the balance of non-performing loans (excluding accrued interest) by the balance of total loans and advances to customers (excluding accrued interest).*
9. *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 recognized in other comprehensive income.*
10. *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 recognized in other comprehensive income.*
11. *Calculated by dividing equity attributable to ordinary equity holders of the Bank (excluding other equity instruments) at the end of the period by the total number of ordinary shares at the end of the period.*
12. *The International Accounting Standards Board issued the International Financial Reporting Standard 17 — Insurance Contracts in 2017. In line with the timeline requirements for the implementation of above-mentioned standard, the Bank has implemented the new accounting standard since 1 January 2023 and made adjustments to relevant information in the financial statements for the year of 2022 accordingly.*

Quarterly Data

2023 (in millions of RMB)	**First quarter**	**Second quarter**	**Third quarter**	**Fourth quarter**
Operating income	**189,365**	**176,429**	**167,854**	**161,820**
Net profit attributable to equity holders of the Bank	**71,554**	**61,680**	**74,122**	**62,000**
Net cash flows generated from operating activities	**905,857**	**447,642**	**24,797**	**446,986**

Chairman's Statement

GU Shu
Chairman of
the Board of Directors

2023 was the first year of fully implementing the guiding principles from the 20th National Congress of the Communist Party of China (CPC). Under the strong leadership of the CPC Central Committee with Comrade Xi Jinping at its core, China's economic recovery and growth were boosted, and high-quality development was solidly promoted. The Agricultural Bank of China, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, comprehensively implemented the guiding principles from the 20th CPC National Congress and the Central Financial Work Conference, conscientiously implemented the decisions and plans of the CPC Central Committee and the State Council, steadily advanced our work in all areas, and maintained a steady and positive operating performance.

The Group's strength was further increased. As at the end of 2023, the Group's total assets were RMB39.9 trillion, the capital adequacy ratio remained generally stable, and the aggregate market value increased by 22%. **Our asset quality was consolidated and improved.** The non-performing loan ratio was 1.33%, representing a decrease of 0.04 percentage point as compared to the end of the previous year. The leading indicators such as the formation ratio of the non-performing loans and the overdue loan ratio were controlled at a low level. The allowance to non-performing loans maintained a high level at 303.87%. **Our operating efficiency was enhanced steadily.** We recorded an operating income of RMB695.5 billion and remained positive growth in 2023; net profit amounted to RMB269.8 billion, representing an increase of 4.2% as compared to the previous year. We were awarded the Best Commercial Bank of the Year by *Financial News*, a media overseen by the People's Bank of China.

Over the past year, we firmly adhered to our positioning and shouldered the responsibilities as a large state-owned bank for providing high-quality financial services to support high-quality development of the economy, enhancing the strength and quality of ourselves to contribute to the building of a strong financial sector, and remaining committed to the path of financial development with Chinese characteristics.

Focusing on our primary responsibilities and core businesses, we enhanced our financial capabilities to serve Sannong and County Areas. The acceleration of building a strong agricultural sector and implementing the rural revitalization strategy injected strong momentum into development of China's agriculture industry and rural areas in 2023. We optimized the system and mechanism of our County Area Banking Division, launched a series of differentiated supporting policies, and continuously enhanced our financial service capabilities. Our financial supply to rural areas and County Areas was significantly increased. The balance of loans and advances to customers in County Areas was RMB8.78 trillion, representing an increase of RMB1.45 trillion as compared to the end of the previous year, accounting for more than 50% of the increments of loans to customers. Our loans in key areas such as sufficient supply of food and major agricultural products, rural industries, and rural construction continued to grow rapidly, and the growth rate of loans to 832 counties lifted out of poverty continued to be higher than the growth rate of loans to customers of the Bank. The product innovation was accelerated. We innovated the financing model for high-standard farmland construction, which supported the construction of a total of more than 13 million mu high-standard farmland. We launched featured products such as Liangnong E-loan, making the total number of Sannong-dedicated credit products reaching 281. We established several rural revitalization industry funds, and launched the first rural revitalization equity index and bond index in the Chinese market. The breadth and depth of our financial services were further expanded. Leveraging the synergy of our innovative online and offline banking services, we promoted continuous expansion of coverage and increased the loans to rural households with the balance of Huinong E-loan exceeding RMB1 trillion. We integrated the agriculture-related financial scenarios and launched the ABC Huinong Cloud digital rural service platform, which covered over 2,400 counties and districts. We have been awarded the highest rating "Excellent" for three consecutive years in the nationwide assessment of financial institutions' services for rural revitalization.

We fulfilled our mission and deepened the positive interaction between the financial sector and the real economy. The domestic demand steadily recovered and the building of a modern industrial system was accelerated in 2023. We proactively met the financing needs of the real economy, utilizing a variety of service tools to comprehensively support the economic recovery. Our financing supply reached a historical high. The total balance of our loans and advances to customers was RMB22.6 trillion, with a year-on-year increase of RMB2.85 trillion; the balance of our financial investments was RMB11.2 trillion, with a year-on-year increase of RMB1.68 trillion. We further strengthened the support for key sectors. Loans in key sectors such as manufacturing, scientific and technological innovation, inclusive small and micro businesses, and green development continued to maintain rapid growth on a high base level. The balance of loans granted to manufacturing industry was RMB2.95 trillion, representing an increase of 28% as compared to the end of the previous year; among which, the balance of medium-and long-term loans granted to the manufacturing industry was RMB1.21 trillion, representing a year-on-year increase of 58%. Loans granted to the strategic emerging industries exceeded RMB2 trillion. The balance of green credit was RMB4.05 trillion with an increase of RMB1.35 trillion. According to the PBOC caliber, the balance of loans to inclusive finance was RMB3.5 trillion, representing a year-on-year increase of 37%; the interest rate of newly issued inclusive loans was 3.67%, representing a decrease of 23 BPs as compared to the previous year. The capacity for integrated financial services continued to improve. We leveraged the synergy arising from the Group's full range of licenses and omni-channel operations, improved the whole life cycle financial service system for science and technology startups, launched ABC SISON, an Investment Banking Intelligent Advisory Service System, upgraded the online comprehensive service platform Inclusive E-station for small and micro enterprises, and launched a number of debt financing instruments in Dual Carbon and technological innovation. We achieved significant effectiveness in ESG governance. We actively implemented the ESG standards and enhanced our brand image of a green bank. We were recognized as one of the top ten "China ESG Model" (first batch) by the China Central Television together with State-owned Assets Supervision and Administration Commission, All-China Federation of Industry and Commerce, China Academy of Social Sciences, China Enterprise Reform and Development Society and other authoritative institutions, and as the "Advanced Institution of Green Bank Evaluation" by the China Banking Association.

Adhering to the philosophy of finance for the people, we better served the needs of the people for a better life. Income of urban and rural residents grew steadily, favorable policies to benefit people's livelihoods and to promote consumption were frequently launched, and the diversified financial needs of the people continued to grow in 2023. We closely focused on customer needs, continued to improve customer experience, enlarged our customer base, and consolidated the foundation for business development. We vigorously developed the consumer finance for people's livelihood. Aligning with the policies to expand domestic demand and to promote consumption, we increased supply of consumer credit, and accelerated the expansion of consumer financial scenarios. The annual increment of personal consumption loans amounted to RMB147.1 billion, with a growth rate of 75.9%, ranking first among comparable peers in terms of both increment and growth rate. The number of credit card customers and transaction volume maintained rapid growth. Great efforts were made to enhance convenience of our financial services. We continued to optimize elderly-friendly services at outlets and accelerated online business processing, which effectively reduced the number of customer visits to the outlets, improved the customer experience continuously, and our regulatory evaluation of consumer rights protection was upgraded. We solidified our customer base. We promoted the team expansion and improved the service quality of the customer managers. The number of customer managers reached 97 thousand and the customer service capabilities improved continuously. The total number of our retail banking customers reached 867 million, maintaining first in the banking industry; the number of VIP retail banking customers exceeded 50 million, and the number of private banking customers and AUM maintained rapid growth. The total number of our corporate banking customers increased to 10.87 million. Our capacity for customer fund management was continuously strengthened. The balance of deposits from customers was RMB28.9 trillion. The deposits from domestic customers increased by RMB3.91 trillion with an average daily increase of RMB3.90 trillion as compared to the previous year, ranking first in the industry in terms of increments of both time point and average daily. The balance of deposits from retail banking customers was RMB17.11 trillion, representing an increase of over RMB2 trillion, maintaining first in the banking industry in terms of both the balance and increments. The balance of deposits from corporate customers was RMB10.48 trillion, representing an increase of RMB1.44 trillion, maintaining the leading position among the comparable banks in terms of both the increment and growth rate.

We deepened reform and innovation, and continued to build new drivers for development and new advantages. The comprehensive deepening of reform continued and a new round of technological revolution accelerated towards breakthrough in 2023, which imposed higher demands on financial reform and innovation. Carrying on innovating on the basis of what has worked in the past, we implemented a series of reforms and innovation programs to stimulate business vitality. Our digital transformation has been further deepened and substantiated. We completed the foundation framework for digital transformation, established a data-driven business operation model, achieved significant results in our marketing, risk control, and management through data empowerment. We widely applied the digital business models, such as hierarchical and classified operation for retail banking customers and chain marketing for corporate customers. The scenario financial ecosystem was further expanded, with 42 thousand internet high-frequency scenarios established. The collaboration between online and offline channels showed significant effectiveness. Leveraging our advantages of leading online traffic and extensive offline outlets, integrating products and service processes based on customer-oriented principle, we built a new model of omni-channel collaboration. The efficiency of marketing services in foundation-level institutions was significantly improved, enabling the customer managers marketing with a single PAD. The customer experience of our mobile banking was continuously optimized, with the number of monthly active users reaching 213 million, maintaining the leading position among the comparable pears. We made substantial and cumulative progress of the reforms in key areas. We continuously optimized the credit approval mechanism, with loan processing efficiency further enhanced. Great efforts were made to streamline our counter business process and the time required for corporate account opening at outlets was significantly shortened. We accelerated to optimize the layout of outlets, with the proportion of outlets in County Areas arising to 56.4%, and further extended our financial services to grassroots levels.

We strengthened bottom line thinking and ensured high-quality development with high-level security. We placed greater emphasis on preventing and controlling financial risks, developed our risk management system more proactive and intelligent, and improved risk prevention, early warning, and disposal mechanism to strengthen our capacity to cope with complex risk challenges, so that we firmly maintained our bottom line of safety. Our asset quality remained stable and was improved. Credit risks in key areas such as real estate and local government debts were generally under control, and efforts to dispose of non-performing loans were intensified, so that our non-performing loan ratio steadily declined. Market risk was controlled more precisely. We established and launched a market risk control platform, enabling online monitoring of each market-related transaction across the Group, which maintained our market and liquidity risk indicators robust. The foundation for technological security was further solid. We steadily advanced the construction of disaster recovery system, continuously enhanced our capacity to ensure business continuity, and maintained the safe and stable operation of our technological systems.

The sound operating results of Agricultural Bank of China benefited from the fundamentals of China’s economic recovery, the strong drive of high-quality development, and our differentiated advantages crossing the urban and rural areas, and continuously improved financial service capacity. These achievements attributed to the hard work of all cadres and employees of the Bank, as well as the trust and support from our customers, shareholders and regulatory authorities. On behalf of the Board of Directors, I would like to express my heartfelt gratitude! The Board of Directors proposed distribution of a cash dividend of RMB2.309 (tax inclusive) per 10 ordinary shares to all the ordinary shareholders.

2024 is the 75th anniversary of the founding of the People’s Republic of China and is a key year for achieving the goals of the 14th Five-Year Plan. With the effective implementation of a series of macroeconomic policies, China’s long-term positive economic outlook will continue to consolidate and strengthen, and the prospect for high-quality development will be brighter. Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we will deeply implement the guiding principles from the 20th CPC National Congress and the Central Financial Work Conference. Anchoring the goal to build a strong financial sector, we will focus on comprehensive rural revitalization and the five target areas, continuously optimize financial supply, effectively prevent and defuse financial risks, act as the major bank in serving the real economy, and be the cornerstone of financial stability, so as to make more contributions to building a strong country and advancing national rejuvenation!

GU Shu
Chairman of the Board of Directors
28 March 2024

Discussion and Analysis

Environment and Prospects

In 2023, China's overall economic recovery and growth were boosted, and its high-quality development advanced steadily, with a GDP growth rate of 5.2%. The total retail sales of consumer goods showed a constant upturn with a growth rate of 7.2%. Fixed asset investments maintained steady growth of 3.0%, of which manufacturing investment maintained a rapid growth of 6.5%. The imports and exports of goods remained stable overall with a growth rate of 0.2% (RMB-denominated). The industrial producer price index (PPI) decreased by 3.0% and the consumer price index (CPI) rose by 0.2%. With reasonable growth in money and credit, the broad money (M2) supply increased by 9.7% and the aggregate financing to the real economy (stock) increased by 9.5%.

In 2023, facing severe challenges and in consideration of the unique characteristics in post-pandemic economic recovery, the Chinese government took coordinated steps to ensure stable growth and sustain its momentum, gave priority to consolidating the foundations of the economy and taking targeted measures. It ensured the proper timing, intensity and effect in conducting macro regulation, strengthened counter-cyclical adjustments, and directed more efforts towards promoting high-quality development. The intensity and effectiveness of fiscal policies was enhanced and spending in key areas was ensured. Additional tax and fee relief measures introduced last year resulted in savings exceeding RMB2.2 trillion, and an additional RMB1 trillion of treasury bonds was issued to support post-disaster recovery and reconstruction and build up capacity for disaster prevention, mitigation and relief. Monetary policies were implemented in a targeted and effective way. Required reserve ratios and policy interest rates were lowered two times, and there was a significant increase in loans issued to support scientific and technological innovation, advanced manufacturing, inclusive small and micro businesses, and green development initiatives.

In 2024, the underlying trend of economic recovery and long-term growth of China remains unchanged. Consumption will play a greater fundamental role in economic development. With the increase of the residents' consumption capacity and willingness and implementation of consumption stimulating policies across China, the consumption of automobiles and other major consumer goods will continue to improve, and the consumption in sports, leisure and other service sectors will also witness a stable growth. The investment growth will stabilize gradually. More fiscal funds will be allocated to support the investments in infrastructure, industrial upgrading and green transformation will ensure the sustainability of investment in manufacturing industry, and the real estate-related policies will further attract the investment in real estate sector. The rebound of export can be expected. The recovery of global trade will provide important support for China's exports, and the export from the new energy industry chain and the export to Belt and Road Initiative countries will provide structural momentum.

In 2024, Chinese government will adhere to the principles of pursuing progress while ensuring stability, promoting stability through progress, and establishing the new before abolishing the old, and make great endeavor in transforming the growth model, making structural adjustments, improving quality, and enhancing performance. The counter- and cross-cyclical adjustments through macro policies will be intensified. The intensity of proactive fiscal policy will be appropriately enhanced and the quality and effectiveness will be improved. A prudent monetary policy will be implemented in a flexible, appropriate, targeted, and effective way. Chinese government will strengthen coordination between policy instruments while developing new ones, and enhance the consistency of macro policy orientation.

In 2024, the changes in international and domestic macro conditions and policies will bring more opportunities to the banking industry, which also put forward higher requirements for transformation and development. The central financial work conference required the financial sector to provide high-quality services for economic and social development, and stressed the importance of promoting the development of "five target areas", namely, technology finance, green finance, inclusive finance, pension finance and digital finance sectors, which will bring about new opportunities for business development and structure optimization of commercial banks.

In 2024, we will adhere to the general principle of pursuing progress while maintaining stability, and act as the major Bank in serving the real economy and the cornerstone of financial stability. Firstly, we will duly perform our primary responsibilities for serving Sannong. We will continue to extend credits to key sectors such as food security, rural household loans, industrial agriculture and rural construction, consolidate the achievements in poverty alleviation, and actively contribute to the new pattern of urban-rural integrated development. Secondly, we will promote the development of "five target areas" and provide better services in technology finance, green finance, inclusive finance, pension finance and digital finance sectors, continue to provide better financial services for major strategies, key sectors and weak links to boost high-quality economic development. Thirdly, we will prevent and address financial risks effectively. We will coordinate development and security, prevent risks in key areas in a forward-looking manner, deal with various new types of risks in a prudent manner, and firmly forestall systemic financial risks.

Implementation of Strategy

In 2023, we effectively promoted the implementation of all key tasks set out in the 14th Five-Year Plan of Agricultural Bank of China with key indicators generally in line with the expected progress. Our two positionings as a leading bank serving rural revitalization and a major bank serving the real economy has been continuously consolidated. The three major strategies of Sannong and inclusive finance, green finance and digital operation have been steadily implemented. We accelerated the progress in "five target areas": technology finance, green finance, inclusive finance, pension finance, and digital finance. We continued to unleash management efficiency, operated in a more stable manner, improved overall competitiveness, and enhanced risk management capabilities.

Our capability to provide services for Sannong and inclusive finance was continually enhanced. Focusing on consolidation and expansion of achievements of poverty alleviation, sufficient supply of food and major agricultural products, rural industrial development, rural construction and other key areas, we intensified our credit supply efforts and continuously innovated service models. We received an "excellent" rating in the rural revitalization assessment by the regulatory authorities for three consecutive years. At the end of 2023, the balance of deposits and loans in County Areas was RMB12.33 trillion and RMB8.78 trillion respectively, representing an increase of 14.2% and 19.8% respectively as compared to the end of the previous year. The inclusive loans continued to maintain high-speed and high-quality growth. The balance of loans to inclusive finance exceeded RMB3 trillion according to PBOC's caliber, and the number of customers of inclusive small and micro loans exceeded 3 million.

Our green finance business achieved high-quality development. We unswervingly promoted green finance strategy, continuously improved our green finance product and service system, improved green finance in both quantity and quality, diversified green investment and financing channels, and continuously enhanced our brand image as a green bank. As at the end of 2023, the balance of green credit was RMB4.05 trillion, representing an increase of RMB1.35 trillion or 50.1% as compared to the end of the previous year. We were recognized as the "Advanced Institution of Green Bank Evaluation" by the China Banking Association, one of the top ten "China ESG Model" by the China Central Television, and our MSCI's ESG rating was upgraded to "AA".

The quality and effectiveness of our digital operation steadily improve. We continuously improved our online loan product system of "ABC E-Loan" by introducing online products such as "Science and Technology E-Loan" and "Torch Innovation Points Loan," and continued to improve our digital product service system. We continued to enhance the service capability of our mobile banking, introduced the "Better Life" series mobile banking versions, built a professional, diversified, intelligent and personalized online service platform, and further developed our digital channels. The wide application of data services such as the tag center, decision engine, and knowledge graph platform, and the efficient progress in key areas such as the distributed core system, disaster recovery projects, cyber and information security, further solidified our data and scientific and technological support. As at the end of 2023, the balance of "ABC E-loan" exceeded RMB4 trillion, and the number of our monthly active users (MAU) of retail mobile banking amounted to 213 million.

Our operation and management efficiency was improved continuously. Outlet layout and business processes were continuously optimized, with the proportion of outlets in County Areas increasing to 56.4%, and the construction of elderly-friendly and green outlets made solid strides. Reform and innovation were further deepened and implemented, volume and price coordination management became more precise, loan approval efficiency was improved continuously, and customer service capabilities were further strengthened. The policy system serving national regional strategies was gradually improved, and our competitiveness in key regions was enhanced steadily. We continued to strengthen our talent team building systems and improve our talent development policies, and deeply implemented the strategy of empowering the Bank with talent.

Risk control and case prevention were further strengthened. We continued to improve the comprehensive risk management system, and our proactiveness of risk management continued to be strengthened. The credit risks in key areas such as real estate and local government debts were generally under control and the quality of credit assets remained stable. At the end of 2023, the non-performing loan ratio was 1.33%, representing a decrease of 0.04 percentage point as compared to the end of the previous year. We completed the construction of the market risk control platform, further enhancing our capabilities in market risk penetration monitoring and forward-looking prevention and control. We solidly and effectively promoted case prevention and compliance work, and further stepped up monitoring and disposal efforts of case and operational risk.

Financial Statement Analysis

Income Statement Analysis

In 2023, the Bank achieved a net profit of RMB269,820 million, representing an increase of RMB10,954 million, or 4.2% as compared to the previous year.

Changes of Significant Income Statement Items

In millions of RMB, except for percentages

Item	2023	2022	Increase/ (decrease)	Growth rate (%)
Net interest income	**571,750**	589,883	(18,133)	-3.1
Net fee and commission income	**80,093**	81,282	(1,189)	-1.5
Other non-interest income	**43,625**	24,118	19,507	80.9
Operating income	**695,468**	695,283	185	0.03
Less: Operating expenses	**252,305**	243,571	8,734	3.6
Credit impairment losses	**135,707**	145,266	(9,559)	-6.6
Impairment losses on other assets	**226**	59	167	283.1
Operating profit	**307,230**	306,387	843	0.3
Share of results of associates and joint ventures	**189**	66	123	186.4
Profit before tax	**307,419**	306,453	966	0.3
Less: Income tax expense	**37,599**	47,587	(9,988)	-21.0
Net profit	**269,820**	258,866	10,954	4.2
Attributable to: Equity holders of the Bank	**269,356**	259,232	10,124	3.9
Non-controlling interests	**464**	(366)	830	–

Net Interest Income

Net interest income was the largest component of our operating income, accounting for 82.2% of the operating income in 2023. Our net interest income was RMB571,750 million in 2023, representing a decrease of RMB18,133 million as compared to the previous year, among which, the increase in volume and changes in interest rates resulted in an increase of RMB63,668 million and a decrease of RMB81,801 million in net interest income, respectively. Our net interest margin and net interest spread were 1.60% and 1.45% respectively, representing decreases of 30 and 28 BPs respectively, primarily due to (1) a decrease in average yield of interest-earning assets as a result of our support for the real economy, the decrease of loan prime rate (LPR) and the continuous repricing of existing assets such as residential mortgage loans; and (2) an increase in average cost of the interest-bearing liabilities as a result of the market environment.

The table below presents the average balance, interest income/expense, and average yield/cost of interest-earning assets and interest-bearing liabilities.

In millions of RMB, except for percentages

Item	2023 Average balance	2023 Interest income/ expense	2023 Average yield/cost (%)	2022 Average balance	2022 Interest income/ expense	2022 Average yield/cost (%)
Assets						
Loans and advances to customers	**21,347,523**	**808,672**	**3.79**	18,614,670	761,744	4.09
Debt securities investments[1]	**9,404,611**	**308,166**	**3.28**	8,264,804	277,557	3.36
Non-restructuring-related debt securities	**9,020,391**	**298,549**	**3.31**	7,880,577	266,999	3.39
Restructuring-related debt securities[2]	**384,220**	**9,617**	**2.50**	384,227	10,558	2.75
Balances with central banks	**2,467,356**	**39,341**	**1.59**	2,273,182	34,494	1.52
Amounts due from banks and other financial institutions[3]	**2,621,418**	**67,519**	**2.58**	1,857,129	34,669	1.87
Total interest-earning assets	**35,840,908**	**1,223,698**	**3.41**	31,009,785	1,108,464	3.57
Allowance for impairment losses	**(763,292)**			(778,141)		
Non-interest-earning assets	**1,567,837**			1,494,370		
Total assets	**36,645,453**			31,726,014		
Liabilities						
Deposits from customers	**26,715,196**	**475,534**	**1.78**	22,874,532	388,546	1.70
Amounts due to banks and other financial institutions[4]	**3,441,426**	**90,407**	**2.63**	2,775,872	59,951	2.16
Other interest-bearing liabilities[5]	**3,035,657**	**86,007**	**2.83**	2,536,605	70,084	2.76
Total interest-bearing liabilities	**33,192,279**	**651,948**	**1.96**	28,187,009	518,581	1.84
Non-interest-bearing liabilities	**1,132,937**			1,091,947		
Total liabilities	**34,325,216**			29,278,956		
Net interest income		**571,750**			589,883	
Net interest spread			**1.45**			1.73
Net interest margin			**1.60**			1.90

Notes: 1. Debt securities investments include debt securities investments at fair value through other comprehensive income and debt securities investments at amortized cost.

2. Restructuring-related debt securities include the receivable from the MOF and the special government bonds.

3. Amounts due from banks and other financial institutions primarily include deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

4. Amounts due to banks and other financial institutions primarily include deposits from banks and other financial institutions, placements from banks and other financial institutions as well as financial assets sold under repurchase agreements.

5. Other interest-bearing liabilities primarily include debt securities issued and borrowings from central banks.

The table below presents the changes in net interest income due to changes in volume and interest rate.

In millions of RMB

	Increase/(decrease) due to		Net increase/ (decrease)
	Volume	Interest rate	
Assets			
Loans and advances to customers	103,524	(56,596)	46,928
Debt securities investments	37,349	(6,740)	30,609
Balances with central banks	3,096	1,751	4,847
Amounts due from banks and other financial institutions	19,686	13,164	32,850
Changes in interest income	163,655	(48,421)	115,234
Liabilities			
Deposits from customers	68,364	18,624	86,988
Amounts due to banks and other financial institutions	17,484	12,972	30,456
Other interest-bearing liabilities	14,139	1,784	15,923
Changes in interest expense	99,987	33,380	133,367
Changes in net interest income	**63,668**	**(81,801)**	**(18,133)**

Note: Changes caused by both volume and interest rate have been allocated to changes in volume.

Interest Income

We achieved interest income of RMB1,223,698 million in 2023, representing an increase of RMB115,234 million as compared to the previous year, which was primarily due to an increase of RMB4,831,123 million in the average balance of interest-earning assets.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers increased by RMB46,928 million, or 6.2%, to RMB808,672 million as compared to the previous year, which was primarily due to an increase in the scale of loans and advances to customers.

The table below presents the average balances, interest income and average yield of loans and advances to customers by business type.

In millions of RMB, except for percentages

	2023			2022		
Item	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	**12,161,866**	**442,522**	**3.64**	10,137,788	397,225	3.92
Short-term corporate loans	**3,367,549**	**115,999**	**3.44**	3,007,512	104,531	3.48
Medium- and long-term corporate loans	**8,794,317**	**326,523**	**3.71**	7,130,276	292,694	4.10
Discounted bills	**927,290**	**12,301**	**1.33**	636,982	9,657	1.52
Retail loans	**7,822,929**	**333,819**	**4.27**	7,400,635	343,274	4.64
Overseas and others	**435,438**	**20,030**	**4.60**	439,265	11,588	2.64
Total loans and advances to customers	**21,347,523**	**808,672**	**3.79**	18,614,670	761,744	4.09

Interest Income from Debt Securities Investments

Interest income from debt securities investments was the second largest component of interest income. In 2023, the interest income of the Bank from debt securities investments increased by RMB30,609 million to RMB308,166 million as compared to the previous year, which was primarily due to an increase in the scale of debt securities investments.

Interest Income from Balances with Central Banks

Interest income from balances with central banks increased by RMB4,847 million to RMB39,341 million as compared to the previous year, which was primarily due to an increase in the balances with central banks.

Interest Income from Amounts Due from Banks and Other Financial Institutions

Interest income from amounts due from banks and other financial institutions increased by RMB32,850 million to RMB67,519 million as compared to the previous year, which was primarily due to an increase in the financial assets held under resale agreements and deposits with banks and other financial institutions.

Interest Expense

Interest expense increased by RMB133,367 million to RMB651,948 million as compared to the previous year, which was mainly due to an increase of RMB5,005,270 million in the average balance of interest-bearing liabilities.

Interest Expense on Deposits from Customers

Interest expense on deposits from customers increased by RMB86,988 million to RMB475,534 million as compared to the previous year, which was primarily due to an increase in the average balance of deposits from customers.

Analysis of Average Cost of Deposits by Product Type

In millions of RMB, except for percentages

	2023			2022		
Item	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time	**4,976,802**	**138,011**	**2.77**	3,570,097	91,235	2.56
Demand	**5,672,335**	**67,710**	**1.19**	5,440,570	58,498	1.08
Sub-Total	**10,649,137**	**205,721**	**1.93**	9,010,667	149,733	1.66
Retail deposits						
Time	**9,781,228**	**254,905**	**2.61**	7,906,059	221,256	2.80
Demand	**6,284,831**	**14,908**	**0.24**	5,957,806	17,557	0.29
Sub-Total	**16,066,059**	**269,813**	**1.68**	13,863,865	238,813	1.72
Total deposits from customers	**26,715,196**	**475,534**	**1.78**	22,874,532	388,546	1.70

Interest Expense on Amounts Due to Banks and Other Financial Institutions

Interest expense on amounts due to banks and other financial institutions increased by RMB30,456 million to RMB90,407 million as compared to the previous year, which was primarily due to an increase in the deposits from banks and other financial institutions.

Interest Expense on Other Interest-bearing Liabilities

Interest expense on other interest-bearing liabilities increased by RMB15,923 million to RMB86,007 million as compared to the previous year, which was primarily due to an increase in interbank certificates of deposits.

Net Fee and Commission Income

In 2023, we generated net fee and commission income of RMB80,093 million, representing a decrease of RMB1,189 million, or 1.5%, as compared to the previous year, among which, consultancy and advisory fees increased by 11.3%, which was mainly due to an increase in the fee income from syndicated loans; agency commissions decreased by 14.7%, which was primarily due to a decrease in the income from agency wealth management business.

Composition of Net Fee and Commission Income

In millions of RMB, except for percentages

Item	2023	2022	Increase/ (decrease)	Growth rate (%)
Settlement and clearing fees	**10,796**	10,296	500	4.9
Consultancy and advisory fees	**13,337**	11,979	1,358	11.3
Agency commissions	**20,438**	23,965	(3,527)	-14.7
Bank card fees	**16,307**	15,760	547	3.5
Electronic banking service fees	**27,459**	26,772	687	2.6
Credit commitment fees	**1,793**	1,979	(186)	-9.4
Custodian and other fiduciary service fees	**4,078**	4,308	(230)	-5.3
Others	**502**	459	43	9.4
Fee and commission income	**94,710**	95,518	(808)	-0.8
Less: Fee and commission expenses	**14,617**	14,236	381	2.7
Net fee and commission income	**80,093**	81,282	(1,189)	-1.5

Other Non-interest Income

In 2023, other non-interest income amounted to RMB43,625 million, representing an increase of RMB19,507 million as compared to the previous year. In particular, the net trading gain increased by RMB17,605 million, which was primarily due to an increase in net trading gain on derivative financial instruments; and net gain on financial investments increased by RMB10,855 million, which was primarily due to an increase in net gain on financial instruments at fair value through profit or loss.

Composition of Other Non-interest Income

In millions of RMB

Item	2023	2022
Net trading gain	**23,124**	5,519
Net gain on financial investments	**16,764**	5,909
Net gain on derecognition of financial assets measured at amortized cost	**1,038**	160
Other operating income	**2,699**	12,530
Total	**43,625**	24,118

Operating Expenses

In 2023, our operating expenses increased by RMB8,734 million to RMB252,305 million as compared to the previous year; cost-to-income ratio increased by 1.05 percentage points to 33.86% as compared to the previous year.

Composition of Operating Expenses

In millions of RMB, except for percentages

Item	2023	2022	Increase/ (decrease)	Growth rate (%)
Staff costs	**151,628**	145,641	5,987	4.1
General operating and administrative expenses	**62,047**	61,554	493	0.8
Insurance benefits and claims	**6,128**	5,758	370	6.4
Depreciation and amortization	**21,621**	20,745	876	4.2
Taxes and surcharges	**7,260**	6,525	735	11.3
Others	**3,621**	3,348	273	8.2
Total	**252,305**	243,571	8,734	3.6

Credit Impairment Losses

In 2023, our credit impairment losses amounted to RMB135,707 million, among which impairment losses on loans decreased by RMB2,084 million to RMB138,883 million as compared to the previous year.

Income Tax Expense

In 2023, our income tax expense decreased by RMB9,988 million, or 21.0%, to RMB37,599 million as compared to the previous year. The effective tax rate was 12.23%, which was lower than the statutory tax rate. This was primarily because the interest income from the PRC treasury bonds and local government bonds held by the Bank was exempted from enterprise income tax by the relevant tax laws.

Segment Reports

We assessed our performance and determined the allocation of resources based on the segment reports. Segment information had been presented in the same manner with that of internal management and reporting. At present, we manage our segments from the aspects of business lines, geographical regions and the County Area Banking Business.

The table below presents our operating income by business segment during the periods indicated.

In millions of RMB, except for percentages

	2023		2022	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Corporate banking business	**271,524**	**39.0**	277,544	39.9
Retail banking business	**364,837**	**52.5**	355,348	51.1
Treasury operations	**39,214**	**5.6**	44,436	6.4
Other business	**19,893**	**2.9**	17,955	2.6
Total operating income	**695,468**	**100.0**	695,283	100.0

The table below presents our operating income by geographic segment during the periods indicated.

In millions of RMB, except for percentages

	2023		2022	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Head Office	**(15,570)**	**(2.3)**	(12,124)	(1.7)
Yangtze River Delta	**161,895**	**23.3**	160,848	23.1
Pearl River Delta	**111,756**	**16.1**	113,162	16.3
Bohai Rim	**105,403**	**15.2**	106,753	15.4
Central Region	**123,769**	**17.8**	121,558	17.5
Western Region	**158,403**	**22.8**	156,305	22.5
Northeastern Region	**25,239**	**3.6**	25,998	3.7
Overseas and others	**24,573**	**3.5**	22,783	3.2
Total operating income	**695,468**	**100.0**	695,283	100.0

Note: Please refer to "Note IV. 39 Geographical Operating Segments to the Consolidated Financial Statements" for details of geographic segments.

The table below presents our operating income from the County Area Banking Business and Urban Area Banking Business during the periods indicated.

In millions of RMB, except for percentages

Item	2023 Amount	2023 Percentage (%)	2022 Amount	2022 Percentage (%)
County Area Banking Business	**331,611**	**47.7**	317,780	45.7
Urban Area Banking Business	**363,857**	**52.3**	377,503	54.3
Total operating income	**695,468**	**100.0**	695,283	100.0

Balance Sheet Analysis

Assets

At 31 December 2023, our total assets amounted to RMB39,872,989 million, representing an increase of RMB5,947,501 million, or 17.5%, as compared to the end of the previous year. In particular, net loans and advances to customers increased by RMB2,750,793 million, or 14.5%; financial investments increased by RMB1,683,550 million, or 17.7%; cash and balances with central banks increased by RMB372,917 million, or 14.6%; deposits and placements with and loans to banks and other financial institutions increased by RMB465,042 million, or 41.1%, which was primarily due to an increase in cooperative deposits with banks and other financial institutions; financial assets held under resale agreements increased by RMB637,372 million, or 54.4%, which was primarily due to an increase in debt securities held under resale agreements.

Key Items of Assets

In millions of RMB, except for percentages

Item	31 December 2023 Amount	31 December 2023 Percentage (%)	31 December 2022 Amount	31 December 2022 Percentage (%)
Total loans and advances to customers	**22,614,621**	**–**	19,763,827	–
Less: Allowance for impairment losses on loans	**882,855**	**–**	782,854	–
Loans and advances to customers, net	**21,731,766**	**54.5**	18,980,973	55.9
Financial investments	**11,213,713**	**28.1**	9,530,163	28.1
Cash and balances with central banks	**2,922,047**	**7.3**	2,549,130	7.5
Deposits and placements with and loans to banks and other financial institutions	**1,596,257**	**4.0**	1,131,215	3.3
Financial assets held under resale agreements	**1,809,559**	**4.5**	1,172,187	3.5
Others	**599,647**	**1.6**	561,820	1.7
Total assets	**39,872,989**	**100.0**	33,925,488	100.0

Loans and Advances to Customers

At 31 December 2023, our total loans and advances to customers amounted to RMB22,614,621 million, representing an increase of RMB2,850,794 million, or 14.4%, as compared to the end of the previous year.

Distribution of Loans and Advances to Customers by Business Type

In millions of RMB, except for percentages

Item	31 December 2023 Amount	31 December 2023 Percentage (%)	31 December 2022 Amount	31 December 2022 Percentage (%)
Loans granted by domestic branches	**22,161,778**	**98.2**	19,294,060	97.8
Corporate loans	**12,791,116**	**56.7**	10,741,230	54.4
Discounted bills	**1,310,747**	**5.8**	1,007,548	5.1
Retail loans	**8,059,915**	**35.7**	7,545,282	38.3
Overseas and others	**402,491**	**1.8**	426,847	2.2
Sub-Total	**22,564,269**	**100.0**	19,720,907	100.0
Accrued interest	**50,352**	**–**	42,920	–
Total	**22,614,621**	**–**	19,763,827	–

Distribution of Corporate Loans by Maturity

In millions of RMB, except for percentages

Item	31 December 2023 Amount	31 December 2023 Percentage (%)	31 December 2022 Amount	31 December 2022 Percentage (%)
Short-term corporate loans	**3,310,005**	**25.9**	3,075,421	28.6
Medium- and long-term corporate loans	**9,481,111**	**74.1**	7,665,809	71.4
Total	**12,791,116**	**100.0**	10,741,230	100.0

Distribution of Corporate Loans by Industry

In millions of RMB, except for percentages

Item	31 December 2023 Amount	31 December 2023 Percentage (%)	31 December 2022 Amount	31 December 2022 Percentage (%)
Manufacturing	**2,234,938**	**17.6**	1,800,124	16.7
Production and supply of electricity, heating, gas and water	**1,412,944**	**11.0**	1,136,482	10.6
Real estate[1]	**860,705**	**6.7**	839,621	7.8
Transportation, storage and postal services	**2,674,184**	**20.9**	2,326,448	21.7
Wholesale and retail	**784,495**	**6.1**	613,076	5.7
Water, environment and public utilities management	**1,144,252**	**8.9**	872,432	8.1
Construction	**478,260**	**3.7**	345,311	3.2
Mining	**263,786**	**2.1**	200,035	1.9
Leasing and commercial services	**2,105,404**	**16.5**	1,750,511	16.3
Finance	**227,750**	**1.8**	363,008	3.4
Information transmission, software and IT services	**101,143**	**0.8**	72,560	0.7
Others[2]	**503,255**	**3.9**	421,622	3.9
Total	**12,791,116**	**100.0**	10,741,230	100.0

Notes: 1. Classification of the loans in the above table is based on the industries in which the borrowers operate.
2. Others mainly include agriculture, forestry, animal husbandry, fishery, public health, and social work, etc.

At 31 December 2023, the top five major industries for our corporate loans include: (1) transportation, storage and postal services; (2) manufacturing; (3) leasing and commercial services; (4) production and supply of electricity, heating, gas and water; and (5) water, environment and public utilities management. Aggregate loan balance of the top five major industries accounted for 74.9% of our total corporate loans, representing an increase of 1.5 percentage points as compared to the end of the previous year.

Distribution of Retail Loans by Product Type

In millions of RMB, except for percentages

	31 December 2023		31 December 2022	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Residential mortgage loans	**5,170,822**	**64.1**	5,346,603	70.9
Personal consumption loans	**340,865**	**4.2**	193,746	2.6
Loans to private business	**745,993**	**9.3**	576,696	7.6
Credit card balances	**700,031**	**8.7**	647,651	8.6
Huinong E-loan	**1,085,255**	**13.5**	747,747	9.9
Others	**16,949**	**0.2**	32,839	0.4
Total	**8,059,915**	**100.0**	7,545,282	100.0

At 31 December 2023, our retail loans increased by RMB514,633 million, or 6.8%, as compared to the end of the previous year. In particular, personal consumption loans increased by 75.9% as compared to the end of the previous year, primarily because we actively explored new consumption scenarios, which improved accessibility and convenience of our consumer finance; loans to private business increased by 29.4% as compared to the end of the previous year, primarily due to the continuous increase in inclusive loans; Huinong E-loan increased by 45.1% as compared to the end of the previous year, primarily due to the increase in marketing support for various rural households through digital product innovation, process optimization and service upgrading.

Distribution of Loans and Advances to Customers by Geographic Region

In millions of RMB, except for percentages

	31 December 2023		31 December 2022	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Head Office	**559,735**	**2.5**	607,244	3.1
Yangtze River Delta	**5,538,283**	**24.5**	4,730,796	24.0
Pearl River Delta	**3,682,226**	**16.3**	3,234,190	16.4
Bohai Rim	**3,142,457**	**13.9**	2,746,965	13.9
Central Region	**3,620,517**	**16.1**	3,092,798	15.7
Northeastern Region	**704,525**	**3.1**	634,482	3.2
Western Region	**4,914,035**	**21.8**	4,247,585	21.5
Overseas and others	**402,491**	**1.8**	426,847	2.2
Sub-Total	**22,564,269**	**100.0**	19,720,907	100.0
Accrued interest	**50,352**	**–**	42,920	–
Total	**22,614,621**	**–**	19,763,827	–

Financial Investments

As at 31 December 2023, our financial investments amounted to RMB11,213,713 million, representing an increase of RMB1,683,550 million or 17.7% as compared to the end of the previous year. In particular, investments in non-restructuring-related debt securities increased by RMB1,652,511 million, as compared to the end of the previous year, which was primarily due to an increase in investment in government bonds.

Distribution of Financial Investments by Product Type

In millions of RMB, except for percentages

Item	31 December 2023 Amount	31 December 2023 Percentage (%)	31 December 2022 Amount	31 December 2022 Percentage (%)
Non-restructuring-related debt securities	**10,432,567**	**94.4**	8,780,056	93.6
Restructuring-related debt securities	**384,217**	**3.5**	384,223	4.1
Equity instruments	**130,277**	**1.2**	122,393	1.3
Others	**98,804**	**0.9**	92,009	1.0
Sub-Total	**11,045,865**	**100.0**	9,378,681	100.0
Accrued interest	**167,848**	**–**	151,482	–
Total	**11,213,713**	**–**	9,530,163	–

Distribution of Non-restructuring-related Debt Securities Investments by Issuer

In millions of RMB, except for percentages

Item	31 December 2023 Amount	31 December 2023 Percentage (%)	31 December 2022 Amount	31 December 2022 Percentage (%)
Government bonds	**6,847,278**	**65.7**	5,622,143	64.0
Bonds issued by policy banks	**2,069,693**	**19.8**	1,868,323	21.3
Bonds issued by banks and other financial institutions	**1,088,501**	**10.4**	793,174	9.0
Bonds issued by entities in public sectors	**226,657**	**2.2**	241,508	2.8
Corporate bonds	**200,438**	**1.9**	254,908	2.9
Total	**10,432,567**	**100.0**	8,780,056	100.0

Distribution of Non-restructuring-related Debt Securities Investments by Remaining Maturity

In millions of RMB, except for percentages

Remaining Maturity	31 December 2023 Amount	31 December 2023 Percentage (%)	31 December 2022 Amount	31 December 2022 Percentage (%)
Overdue	**17**	**–**	17	–
Less than 3 months	**607,664**	**5.8**	326,850	3.7
3–12 months	**1,203,315**	**11.5**	990,908	11.3
1–5 years	**3,070,284**	**29.4**	2,920,434	33.3
More than 5 years	**5,551,287**	**53.3**	4,541,847	51.7
Total	**10,432,567**	**100.0**	8,780,056	100.0

Distribution of Non-restructuring-related Debt Securities Investments by Currency

In millions of RMB, except for percentages

Item	31 December 2023 Amount	31 December 2023 Percentage (%)	31 December 2022 Amount	31 December 2022 Percentage (%)
RMB	**9,959,034**	**95.5**	8,340,248	94.9
USD	**378,964**	**3.6**	347,389	4.0
Other foreign currencies	**94,569**	**0.9**	92,419	1.1
Total	**10,432,567**	**100.0**	8,780,056	100.0

Distribution of Financial Investments by Business Models and Characteristics of Contractual Cash Flows

In millions of RMB, except for percentages

Item	31 December 2023		31 December 2022	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Financial assets at fair value through profit or loss	**547,407**	**5.0**	522,057	5.6
Debt investments at amortized cost	**8,312,467**	**75.2**	7,170,257	76.4
Other debt instrument and other equity investments at fair value through other comprehensive income	**2,185,991**	**19.8**	1,686,367	18.0
Sub-Total	**11,045,865**	**100.0**	9,378,681	100.0
Accrued interest	**167,848**	**–**	151,482	–
Total	**11,213,713**	**–**	9,530,163	–

Investment in Financial Bonds

Financial bonds refer to securities issued by policy banks, commercial banks and other financial institutions, the principals and interests of which are to be repaid pursuant to a pre-determined schedule. As at 31 December 2023, the balance of financial bonds held by the Bank was RMB3,158,194 million, including bonds of RMB2,069,693 million issued by policy banks and bonds of RMB1,088,501 million issued by commercial banks and other financial institutions.

The table below presents the top ten financial bonds held by the Bank in terms of face value as at 31 December 2023.

In millions of RMB, except for percentages

Bond	Face value	Annual interest rate	Maturity date	Allowance[1]
2022 policy bank bond	71,475	3.18%	2032/03/11	–
2021 policy bank bond	50,951	3.38%	2031/07/16	–
2020 policy bank bond	49,979	3.74%	2030/11/16	–
2020 policy bank bond	48,423	3.79%	2030/10/26	–
2022 policy bank bond	46,771	3.06%	2032/06/06	–
2021 policy bank bond	46,706	3.30%	2031/11/05	–
2022 policy bank bond	42,470	2.90%	2032/08/19	–
2021 policy bank bond	41,688	3.52%	2031/05/24	–
2023 policy bank bond	41,620	2.83%	2033/06/16	–
2021 policy bank bond	40,862	3.22%	2026/05/14	–

Note: 1. Allowance in this table refers to allowance for impairment losses in stage II and stage III, not including allowance for impairment losses in stage I.

Liabilities

At 31 December 2023, our total liabilities amounted to RMB36,976,122 million, representing an increase of RMB5,724,394 million, or 18.3%, as compared to the end of the previous year. In particular, deposits from customers increased by RMB3,777,428 million, or 15.0%. The deposits and placements from banks and other financial institutions increased by RMB1,242,854 million, or 44.5%, mainly due to an increase in deposits from non-bank financial institutions. The financial assets sold under repurchase agreements increased by RMB56,742 million or 129.6%, mainly due to an increase in foreign currency repurchase. The debt securities issued increased by RMB426,523 million, or 22.8%, which was primarily due to the issuance of interbank certificates of deposits and Tier-2 capital bonds.

Key Items of Liabilities

In millions of RMB, except for percentages

Item	31 December 2023 Amount	31 December 2023 Percentage (%)	31 December 2022 Amount	31 December 2022 Percentage (%)
Deposits from customers	28,898,468	78.2	25,121,040	80.4
Deposits and placements from banks and other financial institutions	4,035,787	10.9	2,792,933	8.9
Financial assets sold under repurchase agreements	100,521	0.3	43,779	0.1
Debt securities issued	2,295,921	6.2	1,869,398	6.0
Other liabilities	1,645,425	4.4	1,424,578	4.6
Total liabilities	36,976,122	100.0	31,251,728	100.0

Deposits from Customers

At 31 December 2023, the balance of deposits from customers of the Bank increased by RMB3,777,428 million, or 15.0%, as compared to the end of the previous year to RMB28,898,468 million. In terms of customer structure, the proportion of retail deposits decreased by 0.4 percentage point to 60.2%, as compared to the end of the previous year. In terms of maturity structure, the proportion of demand deposits decreased by 5.6 percentage points to 42.9%, as compared to the end of the previous year.

Distribution of Deposits from Customers by Business Type

In millions of RMB, except for percentages

Item	31 December 2023 Amount	31 December 2023 Percentage (%)	31 December 2022 Amount	31 December 2022 Percentage (%)
Domestic deposits	28,299,687	99.5	24,602,463	99.5
Corporate deposits	10,477,286	36.8	9,032,456	36.5
Time	4,950,362	17.4	3,572,373	14.4
Demand	5,526,924	19.4	5,460,083	22.1
Retail deposits	17,109,711	60.2	14,977,766	60.6
Time	10,444,611	36.7	8,470,655	34.2
Demand	6,665,100	23.5	6,507,111	26.4
Other deposits[1]	712,690	2.5	592,241	2.4
Overseas and others	139,608	0.5	134,971	0.5
Sub-Total	28,439,295	100.0	24,737,434	100.0
Accrued interest	459,173	–	383,606	–
Total	28,898,468	–	25,121,040	–

Note: 1. Including margin deposits, remittance payables and outward remittance.

Distribution of Deposits from Customers by Geographic Region

In millions of RMB, except for percentages

Item	31 December 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	63,045	0.2	63,008	0.3
Yangtze River Delta	6,984,641	24.6	6,042,492	24.4
Pearl River Delta	4,275,204	15.0	3,554,960	14.4
Bohai Rim	4,957,855	17.4	4,316,180	17.4
Central Region	4,768,008	16.8	4,144,186	16.8
Northeastern Region	1,416,178	5.0	1,231,680	5.0
Western Region	5,834,756	20.5	5,249,957	21.2
Overseas and others	139,608	0.5	134,971	0.5
Sub-Total	28,439,295	100.0	24,737,434	100.0
Accrued interest	459,173	–	383,606	–
Total	28,898,468	–	25,121,040	–

Distribution of Deposits from Customers by Remaining Maturity

In millions of RMB, except for percentages

Item	31 December 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand	14,135,872	49.7	13,385,031	54.1
Less than 3 months	2,618,990	9.2	2,161,199	8.7
3–12 months	4,445,284	15.6	3,804,033	15.4
1–5 years	7,231,506	25.4	5,378,056	21.7
More than 5 years	7,643	0.1	9,115	0.1
Sub-Total	28,439,295	100.0	24,737,434	100.0
Accrued interest	459,173	–	383,606	–
Total	28,898,468	–	25,121,040	–

Quality of Liabilities

During the reporting period, the Bank's indicators and implementation of limits related to liability quality management fully complied with the requirements of internal and external rules and regulations. The deposits from customers kept growing stably, laying a solid foundation for our liability sources. We enriched the financial service product system, forming a diversified liability structure portfolio. We strengthened the management of liquidity risk, interest rate risk and exchange rate risk to improve the matching between liabilities and assets in duration, currency, interest rate, exchange rate and other dimensions. We coordinated the planning of issuing Tier-2 capital instruments and other financing instruments to obtain liabilities more actively. We refined the interest rate pricing mechanism, monitored and alerted the liability cost changes in time and reasonably controlled the liability cost. We reinforced the application of financial technologies and standardized management.

Shareholders' Equity

As at 31 December 2023, our shareholders' equity amounted to RMB2,896,867 million, representing an increase of RMB223,107 million, or 8.3%, as compared to the end of the previous year. Net assets per ordinary share were RMB6.88, representing an increase of RMB0.51 as compared to the end of the previous year.

The table below presents the composition of shareholders' equity at the dates indicated.

In millions of RMB, except for percentages

Item	31 December 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Ordinary shares	**349,983**	**12.1**	349,983	13.1
Other equity instruments	**480,000**	**16.6**	440,000	16.5
Capital reserve	**173,425**	**6.0**	173,426	6.5
Surplus reserve	**273,558**	**9.4**	246,764	9.2
General reserve	**456,200**	**15.7**	388,600	14.5
Retained earnings	**1,114,576**	**38.5**	1,033,403	38.6
Other comprehensive income	**41,506**	**1.4**	35,887	1.4
Non-controlling interests	**7,619**	**0.3**	5,697	0.2
Total	**2,896,867**	**100.0**	2,673,760	100.0

Off-balance Sheet Items

Off-balance sheet items primarily include derivative financial instruments, contingent liabilities and commitments. The Bank enters into derivative transactions related to exchange rates, interest rates and precious metals for the purposes of trading, asset and liability management and business on behalf of customers. The Bank's contingent liabilities and commitments include credit commitments, capital expenditure commitments, bond underwriting and redemption commitments, mortgaged and pledged assets, legal proceedings and other contingencies. Credit commitments are the major components of off-balance sheet items and comprise loan commitments, bank acceptances, letters of guarantee and guarantees, letters of credit and credit card commitments.

Composition of Credit Commitments

In millions of RMB, except for percentages

Item	31 December 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Loan commitments	**365,847**	**12.8**	415,641	17.2
Bank acceptances	**1,024,150**	**35.8**	702,237	29.1
Letters of guarantee and guarantees	**373,915**	**13.1**	329,420	13.7
Letters of credit	**218,824**	**7.7**	167,876	7.0
Credit card commitments	**873,029**	**30.6**	797,219	33.0
Total	**2,855,765**	**100.0**	2,412,393	100.0

Other Financial Information

Changes in Accounting Policies

The International Accounting Standards Board issued the *International Financial Reporting Standard 17 — Insurance Contracts* in 2017. The Bank has implemented this new accounting standard since 1 January 2023 in accordance with the requirements of this standard.

For details on the changes in material accounting policies during the reporting period, please refer to the "Note II. 1.3 Changes in material accounting policies to the Consolidated Financial Statements".

Differences between the Consolidated Financial Statements Prepared under IFRSs and those Prepared under CASs

There were no differences in the net profit or shareholders' equity, during the reporting period, between the figures in the Consolidated Financial Statements of the Bank prepared under IFRSs and the corresponding figures prepared in accordance with CASs.

Other Financial Indicators

		Regulatory Standard	**31 December 2023**	31 December 2022	31 December 2021
Liquidity ratio[1] (%)	RMB	≥25	**75.42**	64.21	62.01
	Foreign Currency	≥25	**182.67**	235.12	138.94
Percentage of loans to the largest single customer[2] (%)		≤10	**1.99**	2.59	2.44
Percentage of loans to the top ten customers[3] (%)			**12.02**	13.54	11.67
Loan migration ratio[4] (%)	Normal		**1.39**	1.30	1.10
	Special mention		**23.85**	25.77	20.23
	Substandard		**35.45**	46.35	57.43
	Doubtful		**17.29**	6.03	13.66

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 the top ten customers (excluding accrued interest) by net capital.*
4. *Calculated in accordance with relevant regulations of the NFRA.*

Business Review

Corporate Banking

During the reporting period, we adhered to the positioning of "a major bank serving the real economy", actively served the national strategies of regional development, made our best efforts to provide financial service support for key areas, deepened the digital operations, and improved our comprehensive financial service capabilities and customer satisfaction, so as to promote the high-quality development of our corporate banking business. At the end of 2023, the balance of domestic corporate deposits amounted to RMB10,477,286 million, representing an increase of RMB1,444,830 million as compared to the end of the previous year. The balance of domestic corporate loans and discounted bills amounted to RMB14,101,863 million, representing an increase of RMB2,353,085 million as compared to the end of the previous year. The loans granted to projects in our major marketing project pool amounted to RMB1,403.6 billion in 2023. As of the end of 2023, we had 10,871.9 thousand corporate banking customers, among which 522.3 thousand customers had outstanding loan balances, representing an increase of 110.8 thousand customers as compared to the end of the previous year.

- We implemented the national strategy of building a strong manufacturing sector. Enabling the development of new quality productive forces and focusing on the key sectors such as advanced manufacturing, transformation and upgrading of traditional industries, manufacturing industry in County Areas, industrial green development and consumer goods industry, we promoted innovation of financial service models and products and increased credit supply. At the end of 2023, the balance of loans granted to the manufacturing industry (based on the use of loans) increased by RMB651.5 billion as compared to the end of the previous year. Among them, the medium- and long-term loans granted to the manufacturing industry increased by RMB444.7 billion or 58.0% as compared to the end of the previous year, while the loans granted to high-tech manufacturing industries such as electronics and communication equipment, computer, pharmaceutical and aerospace equipment increased by 42.7% as compared to the end of the previous year.

- We served national strategies of regional development. We took advantages of our omni-channel, full range of products and multiple licenses to comprehensively serve national strategies of regional development, such as Coordinated Development of the Beijing-Tianjin-Hebei Region, Integrated Development of the Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area and Chengdu-Chongqing Economic Circle, with an increase of RMB1.48 trillion in loans to corporate customers in 2023.

- We supported the development of private enterprises. We took measures such as increasing policy support, enhancing resource guarantee and strengthening product innovation to actively meet the financial needs of private enterprises. At the end of 2023, the balance of loans granted to private enterprises (according to the NFRA's caliber) was RMB5.45 trillion, representing an increase of RMB1,109.5 billion or 25.6% as compared to the end of the previous year.

- We promoted digital transformation. We continuously promoted the construction of corporate customers marketing management system. We iteratively updated a series of digital marketing management tools focusing on targeted chain marketing, business opportunity management, value enhancement of key corporate customer groups, and data empowerment for foundation-level branches. We accelerated the layout of scenes in government, transportation, tourism, pension and consumption finance, and continued to enrich the application of online credit, transaction banking and other products.

Transaction Banking

We continued to improve the transaction banking system based on accounts and payment settlement. With the focus on key areas, industries and customers, we strengthened product innovation, accelerated online penetration, deepened differentiated integrated marketing, and increased traffic through scenarios, to facilitate the high-quality development of transaction banking business.

- We continuously optimized the corporate account opening process, expanded the application of electronic certificates, innovated the mode of business processing, and constructed an integrated online and offline processing flow of "door-to-door services by customer managers and instant account opening while customers arrive at the counter" to further enhance the quality and efficiency of account services. As of the end of 2023, we had 13,222.7 thousand corporate RMB-denominated settlement accounts, with the RMB-denominated corporate settlement transaction volume of RMB960.84 trillion in 2023.

- We launched the "ABC Treasury Reach" treasury service brand which consists of six product systems, namely "secure account, easy collection and payment, smooth transfer, smart bill chain, convenient investment and financing, and shared channels" to help enterprises in building a comprehensive management platform of financial resources, which is multi-bank integrated, panoramic and visible, intelligent and controllable and smart in decision-making. As of the end of 2023, we had 4,900.7 thousand active transaction banking customers.

Institutional Banking

Adhering to the customers-centered principle, we promoted the smart scenarios construction and improved the customer service efficiency to promote the high-quality development of institutional banking. At the end of 2023, we had 687.4 thousand institutional banking customers.

- In terms of services for government affairs, horizontally, we cooperated with all of 32 provincial-level service platforms for government affairs, and vertically, we cooperated with platforms for government affairs at all six levels, namely, national, provincial, prefectures, county, township and village levels. The independently developed "Smart County" platform has been launched and taken effect in 441 counties of 31 provinces to help improving the efficiency of the government's performance of duties, optimizing the business environment, and supplying public services.

- In terms of finance and social security, we provided national centralized treasury payment, non-tax collection and payment, tax fee collection and other comprehensive financial guarantee for central and local financial and budgetary entities. We achieved coverage of social security and medical insurance agency business in all provinces and prefectures, innovatively built outlets integrating banking services with social security and medical insurance, and set up over 12 thousand mobile payment scenarios for medical insurance.

- In terms of services to people's livelihoods, we cooperated with over 32 thousand schools on our smart campus, and over 6.2 thousand hospitals on our smart hospital.

- In terms of services to financial institutions, the contracted customers for third-party depository services amounted to 72.59 million, representing an increase of 8.04 million as compared to the end of the previous year.

Investment Banking

Persisting in serving the real economy, we accelerated product innovation and continued to improve the "financing + financing intelligence" service solutions to meet the diversified financing needs of customers. In 2023, the income from our investment banking business was RMB11.35 billion.

- We served the diversified financing needs of customers. By leveraging the advantage of syndicated loan business, we efficiently met the large-scale financing needs of our customers in key sectors, with the balance of syndicated loans exceeding RMB2.7 trillion. Continuously focusing on key service scenarios of M&A loans, we helped enterprises in M&A and restructuring, as well as in improving industrial structure, with our balance of M&A loans ranking among the top in banking industry.

- We promoted business innovation continuously. Together with the China Central Depository & Clearing Co., Ltd., we jointly launched the first customized rural revitalization bond index for banks, "ChinaBond — ABC Rural Revitalization Bond Index", so as to channel more social funds to the key areas and weak links of rural revitalization. We developed and launched the Investment Banking Intelligent Advisory Service System (ABC SISON), which provides one-stop online financing intelligence to comprehensively empower enterprises in diversified application scenarios such as strategic planning, operation and management, investment and financing decision making, and low-carbon transformation.

- We continued to strengthen our market influence. We became a new member of the China Green Bond Standard Committee and won 15 awards, including 2023 China Domestic Best Sustainable Bank by *FinanceAsia* and 2023 Pioneering Organization in Innovation and Leadership by ChinaBond Index.

Finance for Science and Technology

We actively innovated financial products and service mechanisms to provide more effective financial resources for technological innovation, and support the self-reliance and self-strengthening of science and technology at high levels.

- We established a comprehensive professional service network. We established 19 financial service sites for science and technology in regional innovation center, focusing on new customer groups, new structures, new ecosystems, new policies, new products, new venture capital, and new guarantees, to accelerate the construction of the "Seven New" financial service system for science and technology. In high-tech zones, economic development zones, science and technology parks and other places where technological innovation is concentrated, we established more than 200 specialized institutions of financial service for science and technology.

- We explored the establishment of exclusive service models. In view of the characteristics of technology-based enterprises, such as high technology, strong innovation capability, light assets and high risks, we established and continuously optimized the exclusive credit service system, matched the differentiated credit support policies and explored ways to solve the difficulties of identifying and accessing of technology-based enterprises.

- We innovated diversified products. For technology-based enterprises at different stages of development, we created a full life cycle product matrix and actively researched and developed exclusive credit products, so as to achieve full coverage of the life cycle, the credit demands and the typical customer groups. We jointly launched the "Torch Innovation Points Loan" with the Ministry of Science and Technology and promoted the "Science and Technology E-Loan" for technology-based small and micro-enterprises. As at the end of 2023, the balance of loans to strategic emerging industries was RMB2.1 trillion.

- We built the equity investment ecosystem. We provided equity investment and financing services to technology-based enterprises in the form of direct equity investment and private equity investment funds. Cooperating with more than 100 professional investors, stock exchanges and other partners, we provided equity investment and financing consulting services including share subscription arrangements and listing cultivation for technology-based enterprises.

Retail Banking

In 2023, unswervingly adhering to the philosophy of "financial services for the people", we deeply promoted the development strategy of "One Main Body with Two Wings" for retail banking (namely, customer construction as the main body, unswervingly promoting "broad wealth management" and digital transformation as the two wings), continuously improved our capability to provide refined services to customers, strengthened "broad wealth management" and digital transformation, and strove to enhance financial services in areas such as rural revitalization, new urban residents, and pension. As of the end of 2023, the total number of our retail banking customers reached 867 million, maintaining the first in banking industry, and the asset under management of our retail banking customers reached RMB20.29 trillion, ranking among the top in banking industry. We took the first place in the ranking of the Global Retail Banking Brands for three consecutive years.

- **We accelerated the transformation of customer service model.** Centering star-level services for individual customers, we continuously provided monthly benefits, star-level promotions and other rights and interests. Targeting six major customer groups, such as customers related to social security and payroll, we differentiated products matching and improved online service scenarios. We built a closed-loop operation featuring "five-in-one", namely data, products, rights and interests, channels, and scenarios, to continuously improve the coverage and accuracy of customer services.

- **We enhanced the quality and efficiency of "broad wealth management".** Based on the philosophy of asset allocation services, we strengthened the supply of high-quality products in wealth management, funds, insurance, precious metals, etc. We optimized the process of wealth management service to improve customer experience. We carried out the building of multi-tiered investment and research teams, enriched the delivery of wealth management information, and strengthened education for investors to accompany customers through economic cycles.

- **We deepened the building of omni-channel service capabilities.** We solidly carried out graded training for customer managers to improve the professional quality of outlet staff. We accelerated the optimization and application of customer service tools such as "smart outbound calls" and WeCom, and strengthened the synergy between human and AI to enhance remote service capability.

- **We provided services to people's livelihoods in an excellent and practical manner.** We innovated the financial service model for customers in County Areas, optimized the full-scenario service platform for rural revitalization, and assigned 18 thousand vanguard teams to villages for providing door-to-door services. We actively developed pension finance, advocated personal pension services, and continuously enriched exclusive pension funds, wealth management, insurance and other products to meet the differentiated pension planning needs of customers. We deeply advanced the financial service demonstration projects for new urban residents, by comprehensively promoting Meituan Delivery Driver Card and Micro and Small Businesses Card, and carrying out special care activities for new urban residents.

- **We strengthened retail banking brand building.** We cooperated with the Chinese cultural IP "The Journey of a Legendary Landscape Painting", innovatively launched featured products with elements of majestic teal, comprehensively renewed the image of standard debit cards, and launched two convenience services of opening customized debit cards online and changing debit cards with original card number online. We carried out fashion brand publicity to further enhance our retail brand image and social reputation.

Retail Deposits

- Adhering to the customers-centered principle, we continued to enrich our products and optimize the service processes to increase customer loyalty and meet customers' diversified wealth management needs such as savings, investment and wealth management, and achieved sustained and steady growth in retail deposits.

- At the end of 2023, the balance of domestic retail deposits reached RMB17,109,711 million, representing an increase of RMB2,131,945 million as compared to the end of the previous year, remaining a leading position in banking industry.

Retail Loans

Focusing on making contributions to the stabilization of the economy, the promotion of consumption and serving the real economy, we continued to increase supply of retail loans. At the end of 2023, the balance of retail loans was RMB8,059,915 million, representing an increase of RMB514,633 million as compared to the end of the previous year, remaining a leading position in banking industry.

- In response to the new situation of significant changes in the relationship between supply and demand in the real estate market, we implemented city-specific differentiated retail residential mortgage loan policies, actively supported residents' demand for buying their first home or improving their housing situation, and increased retail residential mortgage loan supply to promote the steady and healthy development of the real estate market. In 2023, we granted retail residential mortgage loans of RMB781.0 billion, representing an increase of RMB17.8 billion as compared to the previous year.

- To actively serve the national strategy of expanding domestic demand and promoting consumption, we strengthened the construction of the consumer finance scenarios, and accelerated breakthroughs in key areas such as automobiles and home furnishings to improve the accessibility and convenience of personal consumption loans. At the end of 2023, the balance of personal consumption loans, including credit cards, amounted to RMB1.04 trillion, representing an increase of RMB199.5 billion as compared to the end of the previous year.

- Focusing on serving market entities, we continuously optimized and improved our products, precisely implemented differentiated policies, intensified credit services in key areas and weak links such as wholesale and retail, agriculture, forestry, animal husbandry and fishery, logistics and transportation to make active response to the financing needs of self-employed individuals, small and micro business owners and rural operators and other customer groups. At the end of 2023, the balance of loans to private business, including Huinong E-loan, amounted to RMB1.83 trillion, representing an increase of RMB506.8 billion as compared to the end of the previous year.

- In consideration of the financial demand features of various groups of new urban residents, such as those who have moved to cities to start businesses, those who have returned to their hometowns to buy properties, and those who have retired from military service, we innovatively launched a series of "New Urban Residents Loan" products, which offer convenient and comprehensive one-stop financial services. In 2023, we granted New Urban Residents Loan of RMB85.9 billion, benefiting 144 thousand new urban residents.

Bank Card Business

- We enhanced the innovation of debit cards, and launched new debit card designs and products including The Painting Journey Standard Series Card, The Painting Journey Co-Branded Card and Beautiful Life Card. We carried out a variety of debit card marketing activities, and organized a number of consumption promotion activities together with UnionPay involving riding, ticket purchase and vehicle refueling for benefiting the people. We continued to implement the policy of fee reduction and interest concession. As of the end of 2023, we had 1,087 million existing debit cards, with 42,244.7 thousand debit cards newly issued in 2023.

- We improved the refined management level of credit card customer groups, and launched UnionPay Platinum Card, The Painting Journey Card and Doraemon Card for key customer groups including high-end and young customers. Focusing on the six consumption scenarios of catering, supermarket, travel, department store, culture and tourism, and movie-watching, we continuously carried out brand marketing activities such as "Everyday Cashback", "Everyday Special Offer" and "Prime Membership Day". We also launched special marketing activities such as "Affectionate Households: ABC Consumption Festival", "One Thousand Cities and Ten Thousand Stores: ABC Automobile Festival", and "ABC Home Decoration Festival" to meet the diversified consumption needs of customers. The transaction volume of credit cards amounted to RMB2,201,055 million in 2023.

Private Banking Business

- We made efforts to build a "100+100+500" pyramid-type professional service system, with 100 private banking centers at Head Office level, 100 private banking centers at branch level and 500 wealth management centers at branch and sub-branch levels, covering major cities and key County Areas in China. We conducted the "Star Talent Program" for private banking, which intends to enhance the professionalism of the wealth management consultant team by offering hierarchical, targeted and systematic training. We conducted service with synergies between corporate and retail business, and settled in hundreds of industrial parks to provide service for private banking customers of entrepreneurs. Strengthening the technology-driven and digital operation of private banking business, we launched a new-generation private banking business system with multiple renewed subsystems such as client management. We deepened financial services for charity undertakings, with the scale of charitable trusts exceeding RMB0.25 billion, covering rural revitalization, ecological protection, culture and education and other areas.

- At the end of 2023, the number of our private banking customers reached 224 thousand and the balance of assets under management amounted to RMB2.65 trillion, representing an increase of 24 thousand customers and RMB0.45 trillion, respectively, as compared to the end of the previous year.

Pension Finance

We fully implemented the proactive national strategy in response to population ageing and actively contributed to the development of a multi-tiered and multi-pillar pension insurance system, continuously enriched pension financial products, optimized customer service experience, and strived to meet the residents' demands for high-quality pension finance with high-quality financial service.

- We expanded the coverage of pension finance service. With innovation of the special services for social security and medical insurance, and construction of the ecological scenarios of government-bank collaboration, we took a leading position in banking industry in terms of the number of social security cards, electronic social security cards and users of medical insurance QR code. Actively participating in the cultivation of the pension financial market, we maintained steady growth in the number of annuity customers and business scale. We strengthened the building of entrusted management capability to facilitate the steady appreciation of pension funds. At the end of 2023, our pension funds under entrusted management[1] amounted to RMB254,188 million, representing an increase of 24.7% as compared to the end of the previous year. We fully launched the first batch of personal pension fund account service and fully supported the purchase of deposits, wealth management products, funds and insurance products with personal pension in the first batch in the banking industry.

- We promoted the optimization and upgrading of pension service finance. Focusing on the pain points experienced by elderly customers, we optimized the elderly-friendly services in outlets, provided wheelchairs, elderly-friendly seats and other service facilities as needed, and completed the elderly-friendly transformation of over 0.1 million self-service devices in more than 22 thousand outlets. We optimized and upgraded the large-character version of mobile banking to enhance the experience of elderly customers. We actively extended the reach of the financial service, responded to customers' demands, and provided more than 0.1 million door-to-door services for elderly customers with limited mobility in 2023.

- We improved the service efficiency of the pension industry finance. We identified the pension service industry as a key support industry, expanded the scope of services for elderly care institutions, increased the lending of inclusive elderly care institutions, to improve the availability of financing for elderly care institutions.

1 *Including occupational annuities, enterprise annuities and other pension assets under entrusted management.*

Treasury Operations

Treasury operations of the Bank include money market activities and investment portfolio management. We adhered to serving the high-quality development of the real economy and supporting the green and low-carbon development. We flexibly adjusted investment strategies and strengthened flow operations on the basis of ensuring the security of bank-wide liquidity. Our investment return on assets remained at a relatively high level among the peers.

Money Market Activities

- We strengthened our research on monetary policies and forecasts of market liquidity, comprehensively used various financing instruments such as placement and lending, repurchases, certificates of deposit and deposits to smoothen liquidity fluctuations and reasonably allocated maturing funds to improve the efficiency of fund utilization on the basis of ensuring the security of our liquidity.

- In 2023, the volume of our RMB-denominated financing transactions amounted to RMB274,457,516 million, representing an increase of 65.0% as compared to the previous year.

Investment Portfolio Management

At the end of 2023, our financial investments amounted to RMB11,213,713 million, representing an increase of RMB1,683,550 million or 17.7% as compared to the end of the previous year.

Trading Book Activities

- We consolidated and increased the share of the bond market-making business in the inter-bank market, with steady growth in the number of market-making quotations and trading volume. We actively carried out market-making quotations and trading for key bonds, such as green bonds, rural revitalization bonds and small and micro bonds, to support the key sectors and weak links of the real economy. We contributed to the high-level opening-up of the bond market, and our Bond Connect business maintained a leading position in the market.

- We continuously improved the management capability of bond trading portfolio. In 2023, the yields of domestic bond market slided down with fluctuation. Actively capturing the market opportunities, we dynamically adjusted the positions of portfolio and risk exposures, and increased the portfolio return while strictly controlling the impact of market volatility.

Banking Book Activities

- We maintained our investment in government bonds and optimized the investment structure of credit bonds. Implementing the new development philosophy, we supported the infrastructure construction in transportation, industrial parks and other sectors, served green industries and green projects, and supported the financing needs for strategic emerging industries such as new infrastructure construction and new energy. We actively participated in the issuance of additional national bonds and the investment in local government bonds for repayment of outstanding debt, and contributed to post-disaster recovery and reconstruction, the enhancement of capabilities of disaster prevention, mitigation and relief, as well as the prevention and resolution of local government debt risks.

- We optimized investment strategies in a volatile interest rate environment, and rationalized the investment pace, considering the trends in the bond market and the needs of portfolio management. We coordinated asset returns and risk prevention and control to enhance the quality and effectiveness of investment operations.

Asset Management

Wealth Management

At the end of 2023, the balance of the Group's wealth management products reached RMB1,685,287 million, of which RMB97,990 million was generated from the Bank and RMB1,587,297 million was generated from ABC Wealth Management.

Wealth Management Products of the Bank

During the reporting period, all of the existing wealth management products of the Bank were non-principal guaranteed and publicly offered wealth management products. At the end of 2023, the balance of our wealth management products amounted to RMB97,990 million, representing a decrease of RMB59,444 million as compared to the end of the previous year.

The table below presents the issuance, maturity and existence of wealth management products of the Bank

In 100 million of RMB, except for tranches

	31 December 2022		Issuance		Maturity		**31 December 2023**	
Item	Tranche	Amount	Tranche	Amount	Tranche	Amount	**Tranche**	**Amount**
Non-principal guaranteed wealth management	9	1,574.34	–	4,562.18	–	5,196.16	**9**	**979.90**

Note: *The amount of maturity includes redemption and maturity amount of wealth management products during the reporting period; net worth wealth management products were measured at net assets.*

The table below presents the balances of direct and indirect investment assets under the Bank's wealth management business

In 100 million of RMB, except for percentages

	31 December 2023	
Item	**Amount**	**Percentage (%)**
Cash, deposits and interbank certificates of deposit	**246.02**	**22.2**
Placements with and loans to banks and other financial institutions and financial assets held under resale agreements	**5.01**	**0.4**
Debt securities	**363.47**	**32.9**
Non-standard debt-based assets	**341.76**	**30.9**
Other assets	**149.96**	**13.6**
Total	**1,106.22**	**100.0**

Wealth Management Products of ABC Wealth Management

At the end of 2023, the balance of the wealth management products of ABC Wealth Management amounted to RMB1,587,297 million. These were all net worth wealth management products, among which publicly offered wealth management products accounted for 97.2% while privately offered wealth management products accounted for 2.8%.

Custody Service

- We successfully marketed several national and provincial industry funds, with the industry funds under custody reaching RMB1 trillion, and newly achieved over 20 annuity custodianship plans of central enterprises and provincial state-owned enterprises, and implemented a batch of custody business of wealth management pension, maintaining a leading position in banking industry in terms of the number and scale of pension target funds under custody. The publicly offered funds under custody increased by over RMB0.1 trillion, and the scale of insurance under custody exceeded RMB6 trillion.

- We were awarded China's Best Insurance Custodian Bank from *The Asset magazine*, the Custodian Innovation Demonstration Institution from *China Fund*, the Outstanding Asset Custodian Institution from China Central Depository & Clearing Co., Ltd. for 11 consecutive years, Grade A Custodian Bank in the "Annual Participant Evaluation from China Securities Depository and Clearing Corporation Limited" for six consecutive years, and the Best Sub-custodian Bank, the only bank in China, by *Global Finance* for the fifth time.

- At the end of 2023, our assets under custody amounted to RMB15,012,802 million, representing an increase of 7.9% as compared to the end of the previous year.

Precious Metals

- In 2023, we traded 3,410.53 tons of gold and 17,018.76 tons of silver for our own account as well as on behalf of customers and maintained a leading position in the industry in terms of transaction volume.

- We steadily developed the precious metals leasing and lending business and continuously strengthened support for entity customers in the precious metals industry chain. We served commodity production enterprises to ensure stable supply and price stabilization, actively met the sales and stocking needs of jewelry enterprises, and greatly supported the high-quality development of green mining enterprises.

Treasury Transactions on Behalf of Customers

- We continuously promoted the concept of exchange rate risk neutrality and provided enterprises with forwards, swaps, option products and other exchange rate hedging products to help stabilize the scale and optimize the structure of foreign trade. In 2023, the transaction volume of foreign exchange sales and settlements as well as foreign exchange trading on behalf of customers amounted to USD475,707 million.

- We steadily developed the counter bond (Zhaishibao) business. In 2023, the amount of counter distribution of bonds exceeded RMB30.0 billion, greatly supporting the financing needs of local construction, green and low-carbon, rural revitalization and other areas, while providing individuals, enterprises and small and medium financial institutions with financial products that combined safety, liquidity and profitability.

Agency Insurance Business

- We enriched the system of agency insurance products, continued to improve our service capability, and effectively met the diversified insurance needs of customers, resulting in a rapid growth in agency insurance business. Agency insurance premiums, commission income and year-on-year increase in income were all in a leading position in the industry. The agency regular insurance premium in 2023 increased by 26.7% as compared to the previous year, and the business structure continued to be optimized.

Agency Distribution of Fund Products

- We deepened the cooperation with the leading fund companies, and selected quality fund products, with focus on the development of "Jiangxin" fund. We proactively laid out strategic innovative products to continuously enrich the fund product line. We continuously expanded the number of pension fund Y type products and offered more concessions on subscription fee. We strengthened the professionalization of the fund business team and improved the whole process management of products, and customer services. In 2023, the number of funds distributed by the Bank amounted to 3,964, with sales volume amounting to RMB203,417 million.

Agency Sales of PRC Government Bonds

- In 2023, we, as an agent, distributed 18 tranches of PRC government savings bonds with the sales amount of RMB33,060 million, including 10 tranches of PRC government savings bonds (in electronic form) of RMB21,584 million, and 8 tranches of PRC government savings bonds (in certificate form) of RMB11,476 million.

Internet Finance

Guided by digital transformation and focus on customers' need, focusing on omni-channel collaborative operation between online and offline channels, we continued to expand online traffic, comprehensively promoted platform construction and product innovation to promote high-quality development of Internet finance.

Smart Mobile Banking

We launched the 9.0 version of mobile banking to optimize the users' experience and create an online service ecology of "finance + life". As of the end of 2023, we had 213 million of monthly active users (MAU) of mobile banking, representing an increase of 40.57 million MAU as compared to the end of the previous year, maintaining the leading position among the comparable peers.

- We improved the financial services capabilities. We created a new wealth channel to provide warmer financial service experience. We launched the "Fortune Account" to provide more professional content. We upgraded asset profile display, launched new annual statement, and provided smart salary analysis services to display clearer asset structure. We provided whole-process online financing services which realized whole-process online processing of Personal E-Loan, Huinong E-loan, SME E-loan, etc.

- We strengthened empowerment for rural revitalization. We upgraded the "Rural Version" of mobile banking, providing the Huinong financial services such as Huinong loan and exclusive wealth management for rural revitalization, innovatively setting up Huinong zone with production service scenarios such as agriculture-related technology class and Huinong policies. As of the end of 2023, we had over 33 million MAU of the "Rural Version" mobile banking.

- We expanded services to people's livelihood. We optimized life channel services, focused on government affairs, education, travel, medical care and other scenarios to create an ecosystem of daily life scenarios. We strengthened green and low-carbon services, and launched service scenarios such as "Low-carbon Space + Carbon Bonus Points" and "Cardless Application". We set up special urban zones with full coverage of 360 major cities in China to empower online operation of branches.

Online Corporate Banking

- We launched the 7.0 version of corporate Internet finance service platform. We provided exclusive Internet banking services to financial peers, custody clients and other customer groups to enhance platform customization capabilities. We launched the online product management function of "Corporate Internet Finance Connect" to efficiently support online corporate banking.

- We launched the 5.0 version of mobile corporate banking. With refined registration and login processes, we simplified the initial login process. We reshaped the process for the transfer transactions, extended the time span of the inquiry transactions, offered innovative business card function for enterprises, and realized easy access to and full coverage of common functions.

- We launched the 3.0 version of "Salary Manager". We continuously optimized payroll management functions such as electronic payslips and mixed payroll payment to provide enterprises with one-stop payroll and tax services such as smart payroll calculation and personal tax calculation and declaration, etc.

Smart Scene-based Finance

- We deeply explored high-frequency transactions. In terms of campuses, we improved functions such as academic management and home-school interaction to raise the level of intelligent management in schools. In terms of canteens, we added new functions such as meal allowance distribution and food delivery for staff of enterprises and public institutions to reduce the management costs. In terms of government affairs, we launched "Smart County" services for county government affairs in specialized e-government zone of mobile banking, and optimized functions such as social security, medical insurance and housing provident fund to provide one-stop services for handling administrative affairs. In terms of travel, we launched the QR code scanning function through Mobile Banking for riding shared bikes to embrace the idea of green and low-carbon travel.

- We improved the service capabilities of open finance. We upgraded our open banking platform to enrich the functions of product demonstration, solutions, and Q&A robots to achieve high-quality and efficient collaboration with partners. We cooperated with leading Internet platforms to provide services such as opening, contracting, inquiring and investing of personal pension accounts to advance pension finance services. We deepened the cooperation on mobile payment for medical insurance and provided functions such as convenient payment with medical insurance accounts to empower the partner hospitals.

Digital RMB Projects

- We strengthened our application in various scenarios and product innovation. Through collaboration with government platforms, we promoted the use of digital RMB in non-tax payments, housing provident fund contributions, social security and other fields. Cooperated with key industry customers, we enabled functions such as management of digital RMB advance funds and disbursement for supply chain financing, and built multi-layer penetration payment capability of smart contract.

- We optimized the role of digital RMB in Sannong. We promoted the application of digital RMB in agriculture-related areas, and build a closed-loop application from fund disbursement, targeted use of funds to consumption payment. We upgraded the function of digital RMB in Huinongtong service stations, explored the utilization of points awarded from rural governance and created "demonstration villages of digital RMB" to contribute to the digital rural construction.

Cross-border Financial Services

We actively served the high-standard opening-up of China, and made our contributions to the joint pursuit of the Belt and Road Initiative (BRI), the Regional Comprehensive Economic Partnership (RCEP), RMB internationalization, the establishment of pilot free trade zone and Hainan Free Trade Port with high-quality cross-border financial services. In 2023, the volume of international settlement by domestic branches reached USD1,857,726 million and the volume of international trade financing (including financing with domestic letters of credit) reached USD146,140 million. At the end of 2023, the total assets of our overseas branches and subsidiaries reached USD165.9 billion, with net profit for 2023 amounted to USD0.70 billion.

- We provided targeted and effective services for the real economy in foreign trade. We served trade and investment facilitation, with 402 thousand transactions of trade facilitation business handled in 2023, representing an increase of 132% as compared to the previous year. We supported the development of new business modalities, handling a total of USD26.5 billion of international settlement business related to new business modalities, such as new offshore international trade, overseas warehouses, market procurement trade, integrated foreign trade services, and bonded maintenance in 2023. We launched the "ABC Cross-border Matching" service platform, which supports domestic and foreign enterprises to post their demands for cross-border goods and services, and realizes automatic matching of cross-border supply and demand information. We launched the innovative service for financing application through "single window" at customs, effectively enhancing the online financing service level for foreign trade enterprises. We increased financing support for micro and small foreign trade enterprises, and promoted the establishment of the risk sharing mechanism among micro, small and medium-sized enterprises, export credit insurance companies, local governments and ABC, with an increase of 26% in export credit insurance financing business in 2023. We continued to strengthen financial support for agricultural cooperation and optimize and improve the cross-border financial marketing mechanism for agriculture-related customers.

- We enhanced the quality and efficiency of cross-border financial services in key regions. We supported high-quality efforts for BRI projects and the enterprises' financial demands of "going global". The volume of international settlements, foreign-related letters of guarantees, trade financing and other businesses related to the joint pursuit of BRI amounted to USD289.9 billion in 2023. We served cross-border trade and investment in the RCEP region, with the volume of international settlement business by domestic institutions within the RCEP region of USD228.7 billion in 2023. We promoted the development of separate accounting business for free trade (FT), with international settlement volume of USD103.2 billion under FT account in 2023, representing an increase of 29% as compared to the previous year.

- We actively developed customers of foreign institutions. We organized marketing activities such as the marketing promotion conference for customers of foreign institutions themed "sharing open opportunities and winning a better future", and implemented cooperation projects such as bond issuance and underwriting, Bond Connect counterparties, QFII principal custodian bank, CIBM direct investment and CIPS indirect participation.

- We developed cross-border RMB business in an orderly manner. The volume of cross-border RMB settlement reached RMB3.1 trillion in 2023, of which the volume of RMB settlement for cross-border trade and direct investment reached RMB1.6 trillion, representing an increase of 35% as compared to the previous year.

Overseas Subsidiary Banks

Agricultural Bank of China (Luxembourg) Limited

Agricultural Bank of China (Luxembourg) Limited is a wholly-owned subsidiary of the Bank incorporated in Luxembourg, with a registered capital of EUR20.00 million. Its scope of business includes wholesale banking business such as international settlement, corporate deposits, syndicated loans, bilateral loans, trade financing and foreign exchange trading. At the end of 2023, its total assets and net assets amounted to USD72 million and USD25 million, respectively. It recorded a net profit of USD0.08 million for 2023.

Agricultural Bank of China (Moscow) Limited

Agricultural Bank of China (Moscow) Limited is a wholly-owned subsidiary of the Bank incorporated in Russia, with a registered capital of RUB7,556 million. Its scope of business includes wholesale banking business such as international settlement, corporate deposits, syndicated loans, bilateral loans, trade finance and foreign exchange trading. At the end of 2023, its total assets and net assets amounted to USD201 million and USD111 million, respectively. It recorded a net profit of USD11.37 million for 2023.

In addition, we own Agricultural Bank of China (UK) Limited in the United Kingdom, with a share capital of USD0.1 billion, and we have been undertaking the dissolution procedures of Agricultural Bank of China (UK) Limited.

Integrated Operations

We have established an integrated operation platform covering fund management, securities and investment banking, financial leasing, life insurance, debt-to-equity swap and wealth management businesses. In 2023, our six subsidiaries of integrated operation (namely ABC-CA, ABC International, ABC Financial Leasing, ABC Life Insurance, ABC Investment and ABC Wealth Management) focused on the Group's overall development strategy, continued to perfect the corporate governance, strengthened risk prevention and control, deepened the synergies between the Bank and subsidiaries, and enhanced human resources management, customer service, risk control, system construction, and other elementary works, with their capability of integrated operations steadily improved.

ABC-CA Fund Management Co., Ltd.

ABC-CA Fund Management Co., Ltd. was established in March 2008 with a registered capital of RMB1.75 billion, 51.67% of which was held by the Bank. Its businesses include fund-raising, sales of fund and asset management and its major fund products include stock funds, mixed funds, index funds, bond funds, monetary funds and FOF funds. At the end of 2023, its total assets and net assets amounted to RMB4,744 million and RMB4,500 million, respectively. It recorded a net profit of RMB311 million for 2023.

ABC-CA made steady efforts in business innovation. ABC-CA and China Securities Index Co., Ltd. jointly compiled the first rural revitalization equity index "CSI ABC Rural Revitalization Index" in the Chinese market, and began its business of investment adviser for publicly offered funds. At the end of 2023, the assets under management amounted to RMB243,175 million, and it had 79 publicly offered funds with a scale of RMB166,866 million. The scale of bond funds was RMB70,165 million, representing an increase of RMB10,508 million as compared to the end of the previous year. It won several awards such as "Equity Investment Golden Bull Fund Company" by *China Securities Journal*, and "Golden Fund • Equity Investment Return Fund Management Company" by *Shanghai Securities News*.

ABC International Holdings Limited

ABC International Holdings Limited was established in Hong Kong SAR in November 2009 with a share capital of HKD4,113 million, 100% of which was held by the Bank. ABC International is eligible to engage in providing comprehensive and integrated financial services in Hong Kong SAR, including sponsorship and underwriting for listing, issuance and underwriting of bonds, financial consultation, asset management, direct investment, institutional sales, securities brokerage and securities consultation, and is also eligible to engage in businesses in Chinese mainland, including private fund management, financial advisory and investment. At the end of 2023, its total assets and net assets amounted to HKD46,902 million and HKD10,482 million, respectively. It recorded a net profit of HKD149 million for 2023.

ABC International maintained its leading position among its comparable peers in terms of core indicators of investment banking business. It helped many specialized and sophisticated enterprises that produce new and unique products to list in Hong Kong; participated in underwriting of 26 green, sustainable and sustainability-linked bonds, with a total issue size of USD8.4 billion in 2023. It won several awards such as Outstanding Financial Service Institution Award under China Securities Golden Bauhinia Awards, and China Best Sustainable Bank Award from *FinanceAsia*.

ABC Financial Leasing Co., Ltd.

ABC Financial Leasing Co., Ltd. was established in September 2010 with a registered capital of RMB9.5 billion, 100% of which was held by the Bank. Its principal scope of business includes financial leasing, transfer and acceptance of financial leasing assets, fixed-income securities investment business, acceptance of leasing deposits from lessees, absorbing time deposit with a maturity of three months or above from non-bank shareholders, inter-bank lending, borrowing from financial institutions, overseas borrowings, selling and disposal of leased items, economic consultation, establishment of project companies in domestic bonded zones to carry out financial leasing business, provision of guarantee for external financing of controlled subsidiaries and project companies, and other businesses approved by the regulatory authorities. At the end of 2023, its total assets and net assets amounted to RMB103,705 million and RMB12,270 million, respectively. It recorded a net profit of RMB1,096 million for 2023.

ABC Financial Leasing deeply served key areas such as the Sannong and County Areas, aviation and shipping, new energy, scientific and technological innovation, and advanced manufacturing, with two features of Sannong and green leasing. It returned to basics of leasing business with positive results, and continuously optimized business structure. At the end of 2023, the balance of green leasing assets and agriculture-related leasing assets amounted to RMB68,770 million and RMB27,996 million, respectively; the proportion of the balance of direct leasing assets in the balance of financial leasing assets amounted to 41.9%, holding a leading position among the peers.

ABC Life Insurance Co., Ltd.

The registered capital of ABC Life Insurance Co., Ltd. was RMB2.95 billion, 51% of which was held by the Bank. Its principal scope of business includes various types of personal insurance such as life insurance, health insurance and accident insurance; reinsurance business for the above-mentioned businesses; businesses with the application of insurance funds as permitted by the laws and regulations of the PRC; and other businesses approved by the regulatory authorities. At the end of 2023, its total assets and net assets amounted to RMB166,347 million and RMB8,038 million, respectively. It recorded a net profit of RMB631 million for 2023[1].

[1] *In order to be consistent with the Group's disclosure standards, the data is in accordance with the new financial instrument standard (IFRS 9) and new insurance contract standard (IFRS 17), which is different from the data in accordance with the financial instrument standard (IAS 39) currently adopted by the insurance industry.*

ABC Life Insurance accelerated its business transformation, with steady rise in the proportion of regular premiums, and embedded value. Leveraging financial instruments such as stocks, equity and bonds, it proactively carried out Sannong and green investment. It made great efforts to develop pension finance by launching principal guaranteed and floating pension products, iterating insurance products for long-term critical illness and short-term medical care. It was highly affirmed in terms of comprehensive operational strength by regulators and the market, winning honors and awards, such as 2023 Excellent Life Insurance Company from the *21st Century Business Herald*, and 2023 Consumer Protection Rating Level 1 and Composite Risk Rating AA by NFRA.

ABC Financial Asset Investment Co., Ltd.

The registered capital of ABC Financial Asset Investment Co., Ltd. was RMB20.0 billion, 100% of which was held by the Bank. Its principal scope of business includes acquiring the creditor's rights of the banks to the enterprises for the purpose of debt-to-equity swap, converting the creditor's rights into equity and managing the equity; restructuring, transferring and disposing of the creditor's rights that cannot be converted into equity; investing in equities of enterprises for the purpose of debt-to-equity swap, where the invested enterprise uses all the equity investment funds to repay the existing creditor's rights; raising funds from qualified investors according to law and regulations, issuing private asset management products to support debt-to-equity swaps; issuing financial bonds; raising funds through bond repurchase, inter-bank lending and placement, inter-bank borrowing; conducting necessary investment management for proprietary funds and raised funds, where the proprietary funds may be used for interbank deposit taking, interbank loan, purchase of national bonds or other fixed income securities and other businesses, and the use of raised funds shall conform to the purposes agreed upon in fund raising; financial advisory and consulting services related to the debt-to-equity swap business; other business approved by the regulatory authorities. At the end of 2023, its total assets and net assets amounted to RMB122,131 million and RMB31,712 million, respectively. It recorded a net profit of RMB3,767 million for 2023.

ABC Investment actively promoted the building of investment and research capabilities, improved the risk and compliance system, and continued to drive high-quality development. It focused on the primary responsibilities and core business of debt-to-equity swap, and put emphasis on fields such as rural revitalization, green and low-carbon development, scientific and technological innovation, and risk defusion, with debt-to-equity swap investment of RMB15,684 million for its own account for 2023.

ABC Wealth Management Co., Ltd.

ABC Wealth Management Co., Ltd. was established in July 2019 with a registered capital of RMB12.0 billion, 100% of which was held by the Bank. Its principal scope of business includes public offering of wealth management products to the general public, investment and management of the properties entrusted by the investors; private placement of wealth management products to qualified investors, investment and management of the properties entrusted by the investors; wealth management advisory and consulting services; and other businesses approved by the regulatory authorities. At the end of 2023, its total assets and net assets amounted to RMB20,818 million and RMB20,183 million, respectively. It recorded a net profit of RMB1,597 million for 2023.

- Achieving significant results in serving key areas of the real economy. It supported corporate financing, and made new credit bond investment of nearly RMB340.0 billion in 2023. It launched series of wealth management products under the theme of rural revitalization, such as "Daily Profit", "Any Time Pay" and "Harvest Delight", with a peak size of nearly RMB100.0 billion. It supported scientific and technological innovation, and the 15 existing wealth management products under the theme of scientific and technological innovation, amounted to RMB13.3 billion. It improved the system of pension financial wealth management products, enriched the shelves of pension wealth management products, and served more than 0.06 million customers.

- Constantly improving the market image. It won 26 awards, including Best Banking Wealth Management Company of the Year by *Financial Times*, Excellent Wealth Management Company by the *21st Century Business Herald*, and ESG Investment Golden Bull Award by *China Securities Journal*.

- Opening the joint venture successfully. With approval from the regulatory authority, the BNP Paribas ABC Wealth Management Co., Ltd. jointly established by ABC Wealth Management and BNP Paribas Asset Management Holding S.A. has opened for business.

Besides, we own Agricultural Finance Co., Ltd. in Hong Kong SAR, China, with a share capital of HKD589 million, 100% of which is held by the Bank.

FinTech

During the reporting period, we continued to deepen the application of frontier technologies related to FinTech, and deeply promoted the implementation of informatization of our 14th Five-Year Plan, with regular evaluation on implementation results, to continuously improve the scientific and technological support and empowerment level. In 2023, the total investment in information technology amounted to RMB24.85 billion.

Focusing on FinTech Innovation

Actively responding to the accelerated evolution of technology transformation, we speeded 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.

- Regarding the application of big data technology, we completed cloud storage of data of branches and established data cloud for subsidiaries. We applied massive data heterogeneous acceleration engine, reducing the aggregation calculation time of billion-level data from 20 minutes to 3 seconds. We completed the big data relocation project, further solidifying our foundation of data capabilities.

- Regarding the application of cloud computing technology, we continued to advance development of cloud-native capabilities, with the proportion of PaaS-based applications reaching 85%.

- Regarding the application of distributed architecture, we fully transformed the core business system to distributed architecture, completed the transformation and upgrading of personal time deposits, credit cards, credit products, investment and wealth management and other core business and products, advanced to the serial operation stage of centralized and distributed architecture for personal demand and debit card products, and completed the system migration and transformation for more than 0.8 billion personal customers and 1.8 billion personal accounts, which was the largest migration in the banking industry.

- Regarding the application of blockchain technology, we completed blockchain infrastructure construction, research and development of full life-cycle operation of blockchain applications, and the capability construction for standardization of decentralized digital identity service framework, and promoted multi-scenario pilot applications, such as risk monitoring, evidence storage and traceability.

- Regarding the application of quantum technology, we launched the quantum security service system, and conducted pilot tests on flexible scheduling of quantum keys at application layer and the application of quantum random number.

- Regarding the application of network technology, our "end-to-end IPv6 + innovation application project" achieved an "A" rating (excellent) in the midterm evaluation of the IPv6 technology innovation and fusion application pilots of the Office of the Central Cyberspace Affairs Commission.

- Regarding the application of Internet of Things, we continuously promoted the integration of online and offline data, the bank-wide platform of Internet of Things has initially gained the capability to provide services for our internal applications.

- Regarding the application of robotic process automation, we promoted the enterprise-level platform and released components of natural language processing, image processing, and target detection, which were applied in multiple business scenarios in credit card, finance and accounting, and operation, etc.

Improving the Level of Guarantee of Our Business Continuity

Our information system always maintained stable operation under the multiple challenges of rapid growth in trading volume and transformation and switching of technology stacks, and the technological operation system related to the distributed structure was further improved. Persistently integrating "preparation, practice, emergency drill", we continuously enhanced our ability to ensure business continuity.

- We completed the establishment of the business continuity-oriented disaster recovery system, promoted the extension of disaster recovery capability to more system modules and branch-specific scenarios, and further strengthened the system's emergency support capability.

- Normal and practical emergency drills were carried out, which simultaneously improved business quick recovery capability, multi-system full-link disaster recovery capability, and emergency response capability of Head Office and branches under extreme scenarios.

- We deepened the application of the integrated production, operation and maintenance platform, and the completeness rate of core configuration attributes and effectiveness rate of alarm response and handling at the Head Office both reached over 99%.

- The transaction volume of production and operation grew rapidly. The daily transaction peak volume processed by the core system reached 1,984 million, and the daily transaction peak volume through mobile banking reached 1,202 million, both hitting record high.

Human Resources Management and Institution Management

Human Resources Management

During the reporting period, we constantly optimized the organizational structure, focusing on national strategic and based on the needs of our business development.

- To support the construction of the pilot zones for financial reform of scientific and technological innovation, and promote the development of the "technology finance", we established the organizational structure of the Financial Division for Scientific and Technological Innovation in the branches located in the six cities which are the pilot zones for financial reform of scientific and technological innovation.

- We optimized the supporting organizational structure in terms of production safety by establishing a data sub-center in Inner Mongolia, strengthening the allocation of network security personnel, and accelerating the construction of a production, operation and maintenance layout with backup support and mutual assistance in Beijing, Shanghai, and Inner Mongolia.

- We continuously strengthened consumers' interests protection by optimizing and adjusting the functional settings of the Bank's anti-fraud and anti-telecom fraud institutions, and enhancing the efficiency of centralized detecting and handling with fraud risks.

- To improve the quality of integrated operations, we established an equity investment management department at the Head Office to strengthen the coordinating management capability of integrated operations.

- Serving the development and construction of regional economic new zones, we upgraded our operations by establishing branches in the Shenzhen-Shantou Special Cooperation Zone, Ningbo High-tech Zone, and Caohu Corps.

Management of Remuneration

During the reporting period, we formulated and adjusted our remuneration policy in strict compliance with relevant laws, regulations, regulatory requirements and corporate governance requirements of the Bank. Our overall remuneration level was determined by 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. We formulated the annual remuneration plan in strict compliance with regulatory requirements and corporate governance requirements, according to which we managed and allocated the total remuneration of institutions at all levels under the Bank and remuneration of employees.

- The total remuneration allocated to institutions at all levels under the Bank was determined based on their operating efficiency, performance assessment results and completion status of key tasks according to our management system for total remuneration. Performance assessment indicators included but not limited to efficiency, risks, development transformation, and social responsibility, which comprehensively reflected their long-term performance and risk profiles.

- Our employee remuneration policy was applied to all contracted employees. The employee remuneration primarily comprised basic salary, position salary and performance salary, which was linked to position value, employee performance assessment results, etc.

- We continued to deepen the reform of the remuneration allocation mechanism, optimize resource allocation and improve internal allocation structure, taking into account both efficiency and fairness. We promoted targeted incentives and enhanced compliance management. Our remuneration allocation strengthened incentives for strategy implementation, reform in key sectors, development of major business and profit-generating units, and encouraged value creation and high-quality development. At the same time, our resource allocation prioritized the frontline staffs at foundation-level branch outlets, consolidated our achievements in poverty alleviation, and supported rural revitalization. We continued to improve the long-term incentives and constraints through preferential incentives for key positions, core backbone personnel and professional talents, to effectively promote the Bank-wide talent development.

Please refer to "Corporate Governance Report — Operation of Corporate Governance — Board of Directors" for the composition and authority of the nomination and remuneration committee of the Board of Directors. Please refer to "Note IV. 31 Other Liabilities (1) Staff costs payable and 6 Operating Expenses (1) Staff costs to the Consolidated Financial Statements" for the total annual remuneration and the remuneration distribution structure. Please refer to "Corporate Governance Report — Directors, Supervisors and Senior Management — Remuneration of Directors, Supervisors and Senior Management" for details of the remuneration of the Board of Directors, the senior management and employees on positions that have a significant impact on the risks of the Bank.

Information on Employees

As of the end of 2023, we had a total of 451,003 employees. Among them, 787 employees were employed by our overseas branches, subsidiary banks and representative offices, and 7,928 employees were employed by the subsidiaries with integrated operations and rural banks.

Distribution of Employees by Regions

	31 December 2023	
	Number of Employees	Percentage (%)
Head Office	14,486	3.2
Yangtze River Delta	63,912	14.2
Pearl River Delta	50,264	11.1
Bohai Rim	64,291	14.2
Central Region	90,890	20.1
Northeastern Region	40,911	9.1
Western Region	117,534	26.1
Overseas Branches, Subsidiary Banks and Representative Offices	787	0.2
Subsidiaries with Integrated Operations and Rural Banks	7,928	1.8
Total	**451,003**	**100.0**

Distribution of Employees by Education Background

	31 December 2023	
	Number of Employees	Percentage (%)
Doctorate Degree	593	0.1
Master's Degree	42,214	9.4
Bachelor's Degree	280,137	62.1
College and Vocational School	107,543	23.9
Below College	20,516	4.5
Total	**451,003**	**100.0**

Distribution of Employees by Departments

	31 December 2023	
	Number of Employees	Percentage (%)
Management	119,624	26.5
Risk Management	14,908	3.3
Finance	17,338	3.8
Administration	15,493	3.4
Sales/Marketing	156,799	34.8
Trading	504	0.1
Information Technology	13,150	2.9
Tellers/Counter Staff	80,062	17.8
Technicians	19,814	4.4
Others	13,311	3.0
Total	**451,003**	**100.0**

Note: The number of employees in risk management, finance, administration, sales/marketing, trading and information technology did not include the managers in related departments.

Distribution of Employees by Age

	31 December 2023	
	Number of Employees	Percentage (%)
30 or below	116,037	25.7
31–40	111,977	24.8
41–50	87,276	19.4
51 or above	135,713	30.1
Total	**451,003**	**100.0**

Distribution of Employees by Gender

	31 December 2023	
	Number of Employees	Percentage (%)
Male	244,143	54.1
Female	206,860	45.9
Total	**451,003**	**100.0**

Information on Institutions

At the end of 2023, we had 22,843 domestic branch outlets, including the Head Office, Business Department of the Head Office, four specialized business institutions managed by the Head Office, four training institutes, 37 tier-1 branches, 409 tier-2 branches, 3,316 tier-1 sub-branches, 19,025 foundation-level branch outlets and 46 other establishments. We had a total of 13 overseas branches and four overseas representative offices, including branches in Hong Kong SAR, Singapore, Seoul, New York, Dubai International Financial Centre (DIFC), Dubai, Tokyo, Frankfurt, Sydney, Luxemburg, London, Macao SAR and Hanoi, and representative offices in Vancouver, Chinese Taipei, Sao Paulo and Dushanbe. Besides, we had 16 major subsidiaries, including subsidiaries with integrated operations, overseas subsidiary banks and rural banks. Details referred to "Business Review — Integrated Operations", "Business Review — Cross-border Financial Services" and "County Area Banking Business — Rural Banks" under "Discussion and Analysis".

Number of Domestic Branch Outlets by Regions

	31 December 2023	
	Number of Domestic Branch Outlets	Percentage (%)
Head office[1]	10	–
Yangtze River Delta	2,990	13.1
Pearl River Delta	2,374	10.4
Bohai Rim	3,294	14.4
Central Region	5,167	22.6
Northeastern Region	2,190	9.6
Western Region	6,818	29.9
Total	**22,843**	**100.0**

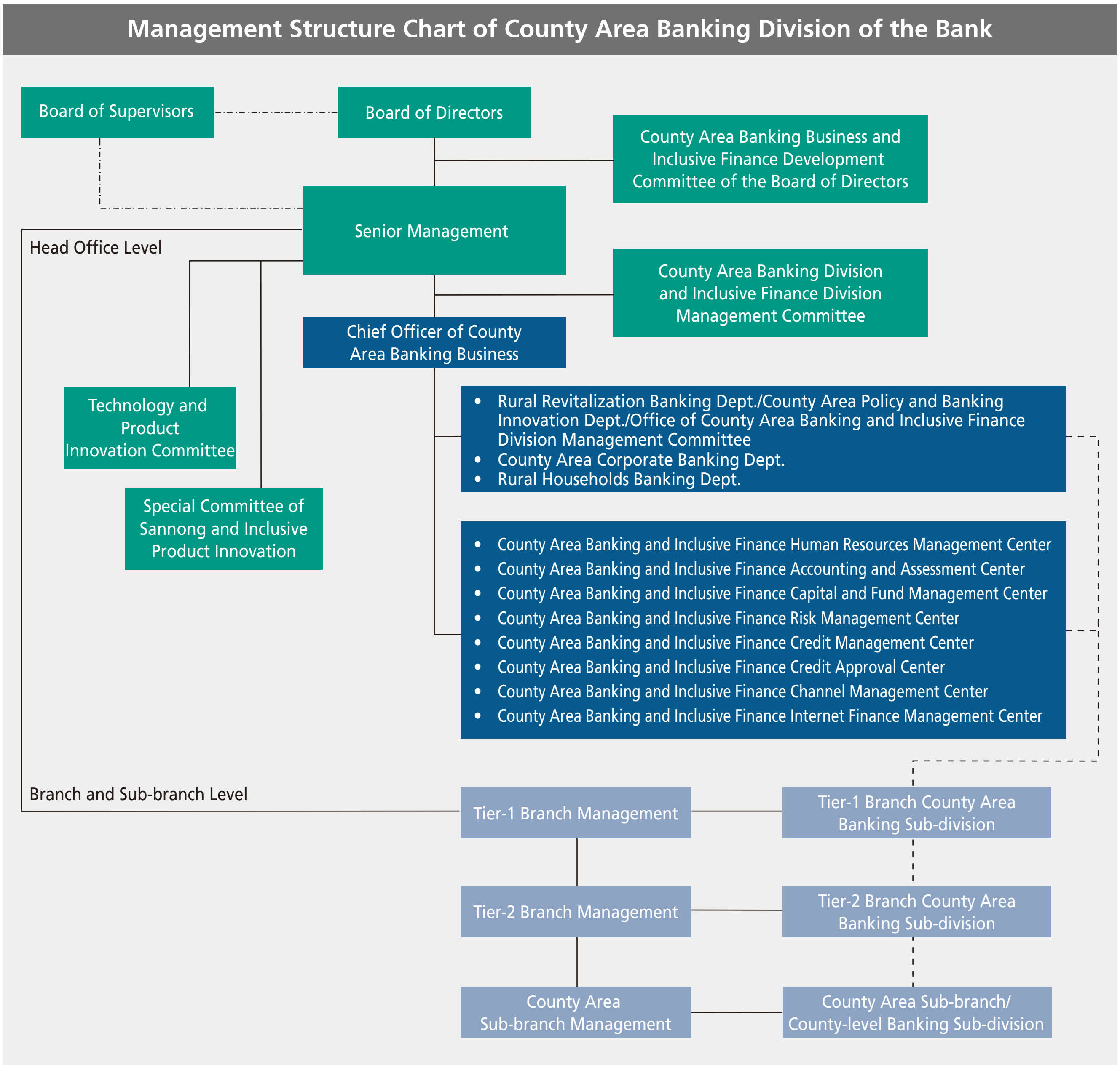
Note: 1. Organizations of the Head Office include the Head Office, Business Department of the Head Office, Capital Operation Center, Private Banking Department, Credit Card Center, Bills Business Department, Beijing Advanced-Level Training Institute, Tianjin Financial Training Institute, Changchun Financial Training Institute and Wuhan Financial Training Institute.

County Area Banking Business

Management Structure and Management Mechanism

We provide customers in County Areas and rural areas with comprehensive financial services through all our operating institutions of the County Area Banking Division. We refer to such business as the County Area Banking Business or Sannong Banking Business. During the reporting period, we conscientiously implemented the Party Central Committee's decisions and deployments on "Sannong", closely focused on our strategic positioning of building a leading bank serving the rural revitalization, kept improving the operation system and mechanism of the County Area Banking Division and the capability and standard of financial services to rural revitalization".

Management Structure



Management Mechanism

During the reporting period, the Bank continued to allocate more resources to rural revitalization key areas, and consistently optimized the policy system, through which the system and mechanism of the County Area Banking Division was further refined.

- **We increased resource allocation to County Areas.** We prioritized ensuring the scale of credit in County Areas. We allocated economic capital in County Areas separately, and improved assessment of economic capital for giving full play to the role of capital leverage to encourage branches to increase the granting of agriculture-related loans and loans to key areas in County Areas. We strengthened FTP preferential treatment and pricing support, so as to consolidate and build on the achievements in poverty alleviation and to promote the revitalization of rural areas.

- **We continuously strengthened the building of talent teams in County Areas.** We implemented the "special recruitment plan for rural revitalization"and increased recruitment of university students in agriculture-related majors. We have advanced the project to cultivate young talents in County Areas for 10 consecutive years. We carried out the "Financial Talents in Counties to Help Towns and Villages and Enrich People Campaign", with over 3,500 talents taking a temporary post in local governments. We implemented the "Pioneer Project" for outstanding customer managers in County Areas and established the "Rural Service Pioneer" award.

- **We optimized and refined the "Sannong" credit policy system.** We issued credit policy guidelines on Sannong for 2023, specifying 25 differentiated credit policies with the focus on key areas such as food security, rural industries, and agricultural and rural infrastructure. We further improved the agriculture-related credit policies, adjusted and optimized customer classification and access conditions. We improved the preferred settlement and fast completion mechanism for key tasks in rural revitalization, and established a green channel for review and approval.

County Area Corporate Banking Business

During the reporting period, focusing on the key sectors such as urban-rural integration development, manufacturing industry in County Areas, green finance, we improved service system, innovated featured products, expanded key customers in County Areas to make new breakthroughs in County Area Corporate Banking Business. At the end of 2023, the balance of loans to corporate customers in County Areas (excluding discount bills) amounted to RMB4,863.6 billion, representing an increase of RMB899.1 billion as compared to the end of the previous year.

- **We continued to increase loans to key sectors in County Areas.** At the end of 2023, the balance of loans for urbanization of County Area amounted to RMB1.43 trillion, representing an increase of RMB264.4 billion as compared to the end of the previous year; the balance of loans to manufacturing industry in County Areas amounted to RMB1.09 trillion, representing an increase of RMB210.1 billion as compared to the end of the previous year; the green corporate loans in County Areas amounted to RMB1.63 trillion, representing an increase of RMB602.4 billion as compared to the end of the previous year.

- **We accelerated to promote the digital transformation of County Area Corporate Banking Business.** We optimized the "Smart Animal Husbandry Loan" to further expand the business scope. We made great promotion of the series products of "SME E-loan", launched a list-based precision marketing system and built digital customer acquisition channels for County Area Corporate Banking Business.

- **We proactively carried out innovation of featured corporate financial products in County Areas.** We optimized the rural living environment loan and hydraulic loan, and innovatively promoted products such as "Agricultural Machinery Loan" and "Smart Granary Loan". Product innovation authority of our branches was further expanded, and regional featured products innovatively launched such as seed industry loan in Hexi Corridor and tea loan in Wuyi according to local conditions.

County Area Retail Banking Business

During the reporting period, keeping close to the financial needs of customers in County Areas, we innovated the products service models, reinforced the drive of technological innovation and consolidated the foundation of retail banking. Our service capability of County Area Retail Banking Business reached to a new level. At the end of 2023, the balance of loans to retail customers in County Areas amounted to RMB3,336.7 billion, representing an increase of RMB378.2 billion as compared to the end of the previous year.

- **We continued to promote the coverage expansion and the increase of "Huinong E-loan".** Taking the "Huinong E-loan" product as the main tool, we were fully dedicated to providing credit support on the time points such as spring plowing, summer harvest and planting, autumn harvest and planting. We increased financial services for various industries and business types such as planting, breeding, processing and trading, and continuously enhanced the coverage and accessibility of credit services for rural households. At the end of 2023, the balance of "Huinong E-loan" amounted to RMB1.09 trillion.

- **We vigorously innovated the products service models.** We innovatively promoted the "on-site + remote" operation mode and continuously optimized labor combinations. We formulated operational procedures for "Huinong E-loan", improving operational processes and expanding the scope of special credit filing. The completely online product "Huinong Internet Loan" has been launched in 21 branches, covering multiple scenarios including grain, animal husbandry, cotton planting, flower trading, and agriculture-related subsidies.

- **We strengthened system and technology support.** We expanded precise identification applications and developed and launched precise marketing models for five customer groups, including new customers, renewal customers, white-listed customers without contracting, customers with low credit usage, and lost customers with possibility of retention. We enhanced online-offline synergy, integrated the online mobile banking and WeChat channels, and linked with mobile PAD and mobile C4 by customer managers for offline filing.

- **We continuously improved the basic financial services in rural areas.** We greatly developed online non-financial services in Huinongtong service stations and expanded online coverage of marketing and customer reach for customer managers. We upgraded and optimized rural E-Station (Huinongtong version) to support financial business reservation. We strengthened daily management and maintenance to improve the service capability of the "Jinsui Huinongtong" project.

Financial Services for Rural Revitalization

During the reporting period, we conscientiously implemented the decisions and plans of the Party Central Committee and the State Council on Sannong, resolutely shouldered the responsibility and mission of serving Sannong, continuously increased resources for Sannong and County Areas and made every effort to enhance the quality and effectiveness of financial services for rural revitalization.

- **We served the consolidation and expansion of poverty alleviation achievements with remarkable success.** With priority given to 832 counties lifted out of poverty, 160 key counties receiving assistance in pursuing rural revitalization, and centralized resettlement sites for relocation, we increased the differentiated policies support and supported a number of infrastructure and characteristic industry projects, which had helped to increase the income of people lifted out of poverty in the local areas. As at the end of 2023, the balance of loans to the 832 counties lifted out of poverty amounted to RMB2.01 trillion, representing an increase of RMB316.7 billion as compared to the end of the previous year; the balance of loans to the 160 key counties receiving assistance in pursuing rural revitalization amounted to RMB380.8 billion.

- **We achieved remarkable enhancement in the capability to serve key areas of rural revitalization.** Focusing on key areas such as food security, revitalization of the seed industry, rural industries and rural construction, we issued credit policies, formulated service schemes and innovated credit products. We deepened cooperation with national ministries and commissions such as the National Development and Reform Commission, the Ministry of Water Resources, the Ministry of Agriculture and Rural Affairs, and the Ministry of Culture and Tourism, to jointly support the construction of agriculture-related projects. As at the end of 2023, the balance of loans to the related fields in stable supply of food and important agricultural products was RMB844.5 billion, of which RMB283.1 billion loans were granted to key fields of food[1]; the balances of loans for rural industry and rural construction were RMB1.84 trillion and RMB1.96 trillion, respectively.

- **We continuously enhanced Sannong product innovation.** We formulated the advice on Sannong financial products innovation for 2023 to specify the focus of innovation for the Sannong products and the policy for authorization of product innovation. We innovatively launched over 40 featured products such as smart granary loan, marine ranching loan, and animal husbandry loan, making the total number of Sannong-dedicated credit products reach 281.

- **We further expanded the coverage of Sannong service.** We promoted further prior allocation of outlet resources to County Areas, with the proportion of outlets in County Areas increased by 0.3 percentage point as compared to the end of the previous year. We continuously carried out the activity of "providing financial services to the countryside" and provided mobile services over 0.17 million times throughout the year.

- **We intensified efforts in construction of digital village project.** We released the "ABC Huinong Cloud" digital rural platform, which covered over 2,400 counties (districts) and was used by 100,000 customers including county and township governments, village committees and residents' committees, and agriculture-related enterprises. We continuously iterated and optimized existing agriculture-related scenarios, and innovatively introduced new scenarios such as smart forestry, "Party Building + Credit Village", initially forming a system of agriculture-related scenarios covering rural governance, agricultural development, and rural lives. At the end of 2023, 1,830 counties (districts) were contracted to the management platform for "rural collective capitals, resources and assets", and 1,654 counties (districts) launched this platform.

Rural Banks

ABC Hubei Hanchuan Rural Bank Limited Liability Company

ABC Hubei Hanchuan Rural Bank Limited Liability Company was established in August 2008 in Hanchuan, Hubei Province, with a registered capital of RMB31.00 million, 50% of which was held by the Bank. At 31 December 2023, the total assets and net assets of ABC Hubei Hanchuan Rural Bank Limited Liability Company amounted to RMB407 million and RMB67 million, respectively. It recorded a net profit of RMB1,922.2 thousand for 2023.

ABC Hexigten Rural Bank Limited Liability Company

ABC Hexigten Rural Bank Limited Liability Company was established in August 2008 in Hexigten Banner, Chifeng City, Inner Mongolia Autonomous Region, with a registered capital of RMB19.60 million, 51.02% of which was held by the Bank. At 31 December 2023, the total assets and net assets of ABC Hexigten Rural Bank Limited Liability Company amounted to RMB262 million and RMB45 million, respectively. It recorded a net profit of RMB529.6 thousand for 2023.

ABC Ansai Rural Bank Limited Liability Company

ABC Ansai Rural Bank Limited Liability Company was established in March 2010 in Ansai District, Yan'an City, Shaanxi Province, with a registered capital of RMB40.00 million, 51% of which was held by the Bank. At 31 December 2023, the total assets and net assets of ABC Ansai Rural Bank Limited Liability Company amounted to RMB471 million and RMB54 million, respectively. It recorded a loss of RMB4,042.5 thousand for 2023.

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1 *The relevant data was adjusted in accordance with the provisions of the Notice on Banking and Insurance Industries to Promote Overall Rural Revitalization in 2023 issued by the National Financial Regulatory Administration.*

ABC Jixi Rural Bank Limited Liability Company

ABC Jixi Rural Bank Limited Liability Company was established in May 2010 in Jixi County, Xuancheng City, Anhui Province, with a registered capital of RMB29.40 million, 51.02% of which was held by the Bank. At 31 December 2023, the total assets and net assets of ABC Jixi Rural Bank Limited Liability Company amounted to RMB389 million and RMB35 million, respectively. It recorded a loss of RMB7,880.4 thousand for 2023.

ABC Zhejiang Yongkang Rural Bank Limited Liability Company

ABC Zhejiang Yongkang Rural Bank Limited Liability Company was established in April 2012 in Yongkang City, Jinhua City, Zhejiang Province, with a registered capital of RMB0.21 billion, 51% of which was held by the Bank. At 31 December 2023, the total assets and net assets of ABC Zhejiang Yongkang Rural Bank Limited Liability Company amounted to RMB724 million and RMB283 million, respectively. It recorded a net profit of RMB6,097.8 thousand for 2023.

ABC Xiamen Tong'an Rural Bank Limited Liability Company

ABC Xiamen Tong'an Rural Bank Limited Liability Company was established in May 2012 in Tong'an District, Xiamen City, Fujian Province, with a registered capital of RMB0.15 billion, 51% of which was held by the Bank. At 31 December 2023, the total assets and net assets of ABC Xiamen Tong'an Rural Bank Limited Liability Company amounted to RMB920 million and RMB194 million, respectively. It recorded a net profit of RMB2,225.2 thousand for 2023.

Financial Position

Major Items of Assets and Liabilities of the County Area Banking Business

In millions of RMB, except for percentages

	31 December 2023		31 December 2022	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Total loans and advances to customers	**8,775,953**	**–**	7,328,336	–
Allowance for impairment losses on loans	**(372,043)**	**–**	(324,962)	–
Loans and advances to customers, net	**8,403,910**	**61.3**	7,003,374	58.3
Intra-bank balance[1]	**4,140,341**	**30.2**	3,916,097	32.6
Other assets	**1,158,521**	**8.5**	1,084,438	9.1
Total assets	**13,702,772**	**100.0**	12,003,909	100.0
Deposits from customers	**12,331,675**	**96.8**	10,797,714	97.3
Other liabilities	**403,384**	**3.2**	295,986	2.7
Total liabilities	**12,735,059**	**100.0**	11,093,700	100.0

Note: 1. Intra-bank balance refers to funds provided by the County Area Banking Business to other business segments within the Bank through internal funds transfers.

Major Income Items of the County Area Banking Business

In millions of RMB, except for percentages

	2023	2022	Increase/ (decrease)	Growth Rate (%)
External interest income	**316,890**	291,067	25,823	8.9
Less: External interest expense	**196,647**	165,864	30,783	18.6
Interest income from intra-bank balance[1]	**174,218**	158,544	15,674	9.9
Net interest income	**294,461**	283,747	10,714	3.8
Net fee and commission income	**32,675**	31,793	882	2.8
Other non-interest income	**4,475**	2,240	2,235	99.8
Operating income	**331,611**	317,780	13,831	4.4
Less: Operating expenses	**117,196**	115,112	2,084	1.8
Credit impairment losses	**61,821**	71,334	(9,513)	-13.3
Impairment losses on other assets	**45**	17	28	164.7
Total profit before tax	**152,549**	131,317	21,232	16.2

Note: 1. Interest income from intra-bank balance represents the interest income earned on funds provided by the County Area Banking Business to other business segments of the Bank through internal funds transfer pricing, the interest rate of which is determined based on the market interest rate.

Major Financial Indicators of the County Area Banking Business

Unit: %

Item	**2023**	2022
Average yield of loans	**3.62**	4.30
Average cost of deposits	**1.42**	1.63
Net fee and commission income to operating income	**9.85**	10.00
Cost-to-income ratio	**34.42**	35.35

Item	**31 December 2023**	31 December 2022
Loan-to-deposit ratio	**71.17**	67.87
Non-performing loan ratio	**1.24**	1.27
Allowance to non-performing loans	**355.32**	364.99
Allowance to loan ratio	**4.40**	4.65

Risk Management

Comprehensive Risk Management System

Comprehensive risk management refers to the timely identification, measurement, monitoring, control and reporting of main material risks in business operation through the integration of elements including risk appetite, policies and rules, organization system, tools and models, data systems, and risk culture in line with the principle of comprehensive coverage, whole-process management and overall participation, so as to ensure effective risk management in decision-making, implementation and supervision in the whole Bank.

In 2023, the Bank continued to improve the comprehensive risk management system, ensured development and security, and firmly guarded the bottom line of risk and compliance. In terms of credit risk, we increased support for key areas and weak links of the real economy, such as Sannong and County Area, green finance, inclusive finance, private economy, new infrastructure, new urbanization initiatives and major projects, manufacturing and strategic emerging industries, technological innovation, and modern service industry, deepened credit asset portfolio management, and adjusted and optimized credit structure. In terms of market risk, we formulated strategies for risk management in financial market business, enhanced the monitoring of market risk exposure limits, and constantly optimized the models and system of market risk measurement. In terms of operational risk, we optimized operational risk management tools, upgraded operational risk management system, effectively implemented the measurement of operational risk, and constantly improved the operational risk management system.

For details of risk governance, please refer to "Corporate Governance Report — Risk Governance".

Risk Management Rules System

In 2023, we continued to refine our policies and rules system of risk management. We revised the Group's risk appetite and comprehensive risk management strategies, established an early warning mechanism of risk appetite indicators and enhanced the proactive risk management. We formulated the measures for the limit management of investment and financing business, and measures for the management of corporate customers with potential risks, and revised the measures for the management of credit granted to group customers and measures for the management of the use of credit, etc. We improved the management systems for information technology risk and business continuity, to strengthen risk control in key areas of information technology. We updated risk management policies for non-retail customer ratings, industrial credit limits, capital transaction and market risk, inter-bank and agency distribution business, and performed risk management on a daily basis.

Risk Analysis Report

Facing the complex and fluid economic and financial situation, the Bank focused on the new features and changes of the risk situation, proactively identified new risk factors and strengthened the forward-looking research and judgement of and response to various risk trends, to continuously improve the relevance, timeliness and comprehensiveness of risk analysis reports.

Credit Risk

Credit risk refers to the risk of loss to the Bank as a result of a debtor's (or counterparty's) default or a reduction in its credit rating or performance capability. The Bank's credit risk mainly lies in the loan portfolio, investment portfolio, guarantee business and various other on- and off-balance sheet credit risk exposures.

Credit Risk Management

In 2023, we implemented the national macro-control policies, adhered to the principle of pursuing progress while ensuring stability, continued to optimize portfolio management, improved risk prevention, early warning and disposal mechanisms, strengthened risk prevention and control in key areas, and consolidated the foundation of risk management, thus maintaining our assets quality stable.

Credit Risk Management Structure

The structure of our credit risk management mainly comprises the Board of Directors and its Risk Management and Consumers' Interests Protection Committee, the senior management and its Risk Management and Internal Control Committee, Credit Approval Committee, Asset Disposal Committee, as well as Credit Management Department, Credit Approval Department, Risk Asset Disposal Department and various front offices, with centralized and unified management and multi-level authorization.

Risk Management of Corporate Banking Business

We refined the credit policy system. We formulated comprehensive policies such as the annual credit policy guidelines, Sannong credit policy guidelines and Inclusive Finance credit policy guidelines. We formulated or revised the credit policies on flat glass, rubber products, textile, sports, cultural services, animal husbandry, pesticide manufacturing, fertilizer manufacturing and other industries, introduced differentiated regional credit policies, and promoted refined portfolio management to guide funds investment.

We prioritized credit risk management in key areas. Adhering to the principle that "housing is for living in and not for speculation", we actively served the construction of three major project including affordable housing, fully implemented the policy requirements in the "16-point Plan of Financial Measures" on real estate, treated equally for different types of real estate enterprises in meeting their reasonable financing needs, actively provided financial services for guaranteeing the delivery of property, and took developer-specific measures to prevent and mitigate the risk in real estate. We established a working mechanism for debt risk prevention and mitigation of financing platforms that the heads of the Head Office and branches took responsibility, the Head Office and branches make joint efforts, the Bank synergizes with subsidiaries, and departments collaborate, and formulated and implemented a package of debt resolution solutions to properly resolve the implicit debt risks of local governments.

We consolidated the foundation of credit risk management. We improved the integrated management and control mechanism for credit risk, and strengthened the forward-looking prediction and proactive management of credit risk. We enhanced digital risk control capability, and strengthened the whole chain management of "identification, early warning, verification and disposal" of risks. We implemented the new risk classification rules, and strengthened the asset classification management. We strengthened the management of the expected credit loss approach and made sufficient provisions for impairment to maintain a strong capability to prevent risks.

We strengthened the disposal of non-performing assets. We increased cash recovery efforts for non-performing loans, solidly promoted the write-off of bad debts, actively performed restructuring of non-performing loans, strengthened the disposal of projects in large amount and improved the disposal management mechanism to continuously improve disposal effectiveness, based on independent collection.

Risk Management of Retail Banking Business

We improved the policy system and optimized business processes to enhance operational efficiency and product market competitiveness of retail banking business. We consolidated the structure of the centralized operation center for retail loans to ensure the operational efficiency of the business. We optimized risk early warning models, improved risk identification accuracy and strengthened risk clues disposal. We disposed non-performing loans in a diversified manner, and strengthened overdue loans collection by giving full play to the advantages of the multi-level collection system featuring remote telephone calls and on-site visits, automatic and manual. We actively carried out write-offs and asset securitization to improve the efficiency of the disposal of non-performing loans.

Risk Management of Credit Card Business

Adhering to a moderate and prudent risk appetite, we continued to improve the smart risk control system, controlled newly generated NPLs and reduced existing NPLs to ensure the stability of asset quality. In terms of incremental loans, we deepened differentiated management of key regions, key customer groups and key products, strengthened forward-looking risk research and judgment, dynamically optimized risk control policies and strategies, to continuously optimize customer group structure and asset portfolio. In terms of existing loans, we strengthened the whole-process risk monitoring, enhanced the refined management level, improved the asset collection and disposal system, and strengthened the disposal of non-performing assets. During the reporting period, the quality of our credit card assets continued to be at the forefront of the industry.

Risk Management of Treasury Business

We refined the risk management measures and operational specifications for treasury business, optimized the whole-process risk management mechanism, and refined the management of credit bonds before, during and after investment. We constantly monitored the risk profiles of credit customers and counterparties of existing treasury business, and dynamically adjusted the measures to address risks. We constantly improved the Group-level integration of investment and research of treasury business, and optimized the mechanism of monitoring, reporting and information sharing.

Risk Classification of Financial Assets

We formulated the risk classification management rules in accordance with requirements of the *Rules on Risk Classification of Financial Assets of Commercial Banks*. We specified the methods for the risk classification of different types of financial assets, based on such information as the financial asset type, the counterparty type, the features of product structure, and past defaults, taking into account the characteristics of their asset portfolios, with overdue method for retail assets and model method for non-retail assets. The classification process follows the principle of checks and balances horizontally and authority restriction vertically, and it operates based on process and authority. The basic procedures include preliminary classification, classification recognition, classification review and approval.

We adopted two classification management procedures for financial assets undertaking credit risk, being the five-category classification system and the 12-category classification system. Non-retail credit assets were mainly managed with the 12-category classification system. We conducted comprehensive evaluations from the two dimensions of customer default risk and debt transaction risk to prudently reflect the degree of credit assets risk. Our retail credit assets were managed with five-category classification system, which carried out risk classification automatically by the system, mainly based on overdue days of principal and interest of the credit assets and type of guarantee. Our non-credit assets were managed with five-category classification system, mainly taking into account factors such as the type of financial assets, type of counterparty, and overdue days, so as to truly reflect the risk situation.

Distribution of Loans by Collaterals

In millions of RMB, except for percentages

Item	31 December 2023 Amount	31 December 2023 Percentage (%)	31 December 2022 Amount	31 December 2022 Percentage (%)
Loans secured by mortgages	**8,619,075**	**38.2**	8,299,082	42.1
Loans secured by pledges	**2,440,589**	**10.8**	2,268,833	11.5
Guaranteed loans	**2,916,064**	**12.9**	2,290,351	11.6
Unsecured loans	**8,588,541**	**38.1**	6,862,641	34.8
Sub-Total	**22,564,269**	**100.0**	19,720,907	100.0
Accrued interest	**50,352**	**–**	42,920	–
Total	**22,614,621**	**–**	19,763,827	–

Distribution of Overdue Loans by Overdue Period

In millions of RMB, except for percentages

Item	31 December 2023 Amount	31 December 2023 Percentage of total loans (%)	31 December 2022 Amount	31 December 2022 Percentage of total loans (%)
Overdue for less than 90 days (including 90 days)	**111,027**	**0.49**	103,332	0.52
Overdue for 91 days to 360 days (including 360 days)	**70,775**	**0.31**	54,504	0.28
Overdue for 361 days to 3 years (including 3 years)	**51,052**	**0.23**	42,584	0.22
Overdue for over 3 years	**11,676**	**0.05**	12,419	0.06
Total	**244,530**	**1.08**	212,839	1.08

Loan Concentration

In millions of RMB, except for percentages

Top ten single borrowers	Industry	Amount	Percentage of total loans (%)
Borrower A	Transportation, storage and postal services	76,052	0.34
Borrower B	Production and supply of electricity, heating, gas and water	58,057	0.26
Borrower C	Transportation, storage and postal services	55,068	0.24
Borrower D	Production and supply of electricity, heating, gas and water	48,500	0.21
Borrower E	Transportation, storage and postal services	48,174	0.21
Borrower F	Transportation, storage and postal services	43,019	0.19
Borrower G	Transportation, storage and postal services	37,621	0.17
Borrower H	Transportation, storage and postal services	33,443	0.15
Borrower I	Finance	32,594	0.15
Borrower J	Transportation, storage and postal services	27,580	0.12
Total		**460,108**	**2.04**

At 31 December 2023, we fulfilled the regulatory requirements as total loans to our largest single borrower represented 1.99% of our net capital and total loans to our ten largest borrowers represented 12.02% of our net capital.

Large Exposures

During the reporting period, pursuant to the *Administrative Measures for Large Exposures of Commercial Banks* and other relevant regulatory requirements, we continuously improved the organizational structure and system for large exposures management, consolidated the data basis, optimized the measurement process, upgraded system functions, carried out the measurement, monitoring and system optimization of large exposures in an orderly manner, strictly implemented each regulatory indicator, regularly reported the regulatory reports and management statements, strengthened limit management and control and continuously improved our capability to measure and manage large exposures.

Distribution of Loans by Five-category Classification

In millions of RMB, except for percentages

Item	**31 December 2023**		31 December 2022	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Normal	**21,943,392**	**97.25**	19,162,046	97.17
Special mention	**320,117**	**1.42**	287,799	1.46
Non-performing loans	**300,760**	**1.33**	271,062	1.37
Substandard	**140,194**	**0.61**	122,688	0.62
Doubtful	**132,041**	**0.59**	131,072	0.66
Loss	**28,525**	**0.13**	17,302	0.09
Sub-Total	**22,564,269**	**100.00**	19,720,907	100.00
Accrued interest	**50,352**	**–**	42,920	–
Total	**22,614,621**	**–**	19,763,827	–

As of 31 December 2023, the balance of our non-performing loans was RMB300,760 million, representing an increase of RMB29,698 million as compared to the end of the previous year; and the non-performing loan ratio decreased by 0.04 percentage point to 1.33% as compared to the end of the previous year. The balance of special mention loans was RMB320,117 million, representing an increase of RMB32,318 million as compared to the end of the previous year; and special mention loans accounted for 1.42% of the total loans, representing a decrease of 0.04 percentage point as compared to the end of the previous year.

In 2023, we further improved the credit policies, enhanced the limit management of industrial credit to continuously optimize the credit structure. We continued to strengthen the prevention and control of credit risks in the key sectors such as real estate and local government debts in accordance with the basic guideline of maintaining overall stability, ensuring coordination, implementing category-based policies and defusing risks through targeted efforts. We improved the integrated management and control mechanism for credit risks, to strictly specified the responsibilities of credit risk management. We continued to enhance digital risk control capability, and strengthened the application of financial technology in the forward-looking identification and precise management and control of credit risks. We implemented new rules on asset classification, strengthened the management of asset risk classification, and prospectively and accurately reflected asset quality. Efforts were made to promote the precise disposal of non-performing loans in key sectors and projects in a steady and orderly manner, so as to improve the efficiency of non-performing asset disposal.

Distribution of Non-Performing Loans by Business Type

In millions of RMB, except for percentages

Item	31 December 2023			31 December 2022		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Corporate loans	234,186	77.8	1.83	215,078	79.4	2.00
Including: Short-term corporate loans	72,109	24.0	2.18	80,187	29.6	2.61
Medium- and long-term corporate loans	162,077	53.8	1.71	134,891	49.8	1.76
Discounted bills	1	–	–	–	–	–
Retail loans	59,176	19.7	0.73	49,048	18.0	0.65
Residential mortgage loans	28,530	9.4	0.55	27,258	10.0	0.51
Credit card balances	9,808	3.3	1.40	7,948	2.9	1.23
Personal consumption loans	3,544	1.2	1.04	2,428	0.9	1.25
Loans to private business	5,699	1.9	0.76	3,769	1.4	0.65
Huinong E-loan	10,462	3.5	0.96	6,013	2.2	0.80
Others	1,133	0.4	6.68	1,632	0.6	4.97
Overseas and others	7,397	2.5	1.84	6,936	2.6	1.62
Total	300,760	100.0	1.33	271,062	100.0	1.37

Distribution of Corporate Non-Performing Loans by Industry

In millions of RMB, except for percentages

Item	31 December 2023			31 December 2022		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Manufacturing	45,287	19.3	2.03	46,618	21.7	2.59
Production and supply of electricity, heating, gas and water	7,182	3.1	0.51	8,190	3.8	0.72
Real estate	46,615	19.9	5.42	46,039	21.4	5.48
Transportation, storage and postal services	14,636	6.2	0.55	18,299	8.5	0.79
Wholesale and retail	19,457	8.3	2.48	18,709	8.7	3.05
Water, environment and public utilities management	22,719	9.7	1.99	9,332	4.3	1.07
Construction	9,746	4.2	2.04	8,387	3.9	2.43
Mining	10,501	4.5	3.98	13,568	6.3	6.78
Leasing and commercial services	41,333	17.7	1.96	31,588	14.7	1.80
Finance	295	0.1	0.13	299	0.1	0.08
Information transmission, software and IT services	2,296	1.0	2.27	3,785	1.8	5.22
Others	14,119	6.0	2.81	10,264	4.8	2.43
Total	234,186	100.0	1.83	215,078	100.0	2.00

Distribution of Non-Performing Loans by Geographic Region

In millions of RMB, except for percentages

	31 December 2023			31 December 2022		
Item	**Amount**	**Percentage (%)**	**Non-performing loan ratio (%)**	Amount	Percentage (%)	Non-performing loan ratio (%)
Head Office	**1,386**	**0.5**	**0.25**	1,200	0.4	0.20
Yangtze River Delta	**38,494**	**12.8**	**0.70**	30,913	11.4	0.65
Pearl River Delta	**45,466**	**15.1**	**1.23**	34,503	12.7	1.07
Bohai Rim	**58,016**	**19.3**	**1.85**	56,958	21.0	2.07
Central Region	**45,550**	**15.1**	**1.26**	47,178	17.4	1.53
Northeastern Region	**14,412**	**4.8**	**2.05**	14,214	5.2	2.24
Western Region	**90,039**	**29.9**	**1.83**	79,160	29.3	1.86
Overseas and others	**7,397**	**2.5**	**1.84**	6,936	2.6	1.62
Total	**300,760**	**100.0**	**1.33**	271,062	100.0	1.37

Changes in the Allowance for Impairment Losses on Loans

In millions of RMB

	2023			
Item	**Stage I 12-month expected credit loss**	**Stage II Lifetime expected credit loss**	**Stage III Lifetime expected credit loss**	**Total**
1 January 2023	**575,164**	**80,844**	**164,220**	**820,228**
Transfer[1]				
Stage I to Stage II	**(18,028)**	**18,028**	**–**	**–**
Stage II to Stage III	**–**	**(37,631)**	**37,631**	**–**
Stage II to Stage I	**21,954**	**(21,954)**	**–**	**–**
Stage III to Stage II	**–**	**12,744**	**(12,744)**	**–**
Originated or purchased financial assets	**230,578**	**–**	**–**	**230,578**
Remeasurement	**(40,568)**	**62,523**	**78,190**	**100,145**
Repayment and transfer-out of normal loans and special mention loans	**(135,770)**	**(19,831)**	**–**	**(155,601)**
Repayment and transfer-out of non-performing loans	**–**	**–**	**(34,065)**	**(34,065)**
Write-offs	**–**	**–**	**(47,367)**	**(47,367)**
31 December 2023	**633,330**	**94,723**	**185,865**	**913,918**

Notes: 1. For details of the impairment models of three stages, please refer to "Note IV. 17 Loans and advances to customers to the Consolidated Financial Statements".

2. The table includes the allowance for impairment losses on loans measured at fair value through other comprehensive income.

Market Risk

Market risk refers to the risk of loss in the on- and off-balance sheet businesses of banks as a result of an adverse change in market prices. Market risk comprises, but not limited to, interest rate risk, exchange rate risk, stock price risk and commodity price risk. The market risks which the Bank is exposed to primarily include interest rate risk, exchange rate risk and commodity price risk. The Bank's organizational structure of market risk management comprises the Board of Directors and its Risk Management and Consumers' Interests Protection Committee, the senior management and its Risk Management and Internal Control Committee, the Risk Management Department, the Asset and Liability Management Department and other departments (institutions) bearing market risks.

In 2023, we formulated the risk management strategies for financial market business, continued to strengthen the Group's market risk management and the whole-process risk management and control of our financial market business. We closely monitored market trends, promptly conducted proactive analysis of risks in interest rate, exchange rate and commodity price, enhanced penetration monitoring capabilities, strengthened market risk prevention and control in key areas and strictly prevented external shocks and risk contagion. We solidly promoted the establishment of the market risk control platform, improved the intelligence level of the market risk management system, continuously optimized market risk measurement models and systems, and further improved the function of market risk capital requirement measurement. We conducted stress testing for market-related business and proactively prevented extreme market changes from affecting our financial market business.

Our market risk exposure limits are classified into directive limits and indicative limits. We classified all of the on- and off-balance sheet assets and liabilities into either the trading book or the banking book. The trading book includes the financial instruments and commodity positions held by the Bank for trading or hedging against the risk of other items in the trading book. Any other positions are classified into the banking book.

Market Risk Management for Trading Book

We managed the market risk of the trading book through various approaches such as Value at Risk (VaR), exposure limit management, sensitivity analysis, duration analysis, exposure analysis and stress testing.

We adopted a historical simulation method with a confidence interval of 99% based on a holding period of one day and historical data for 250 days to measure the VaR for the trading book of the Head Office and domestic and overseas branches of the Bank.

VaR Analysis for the Trading Book

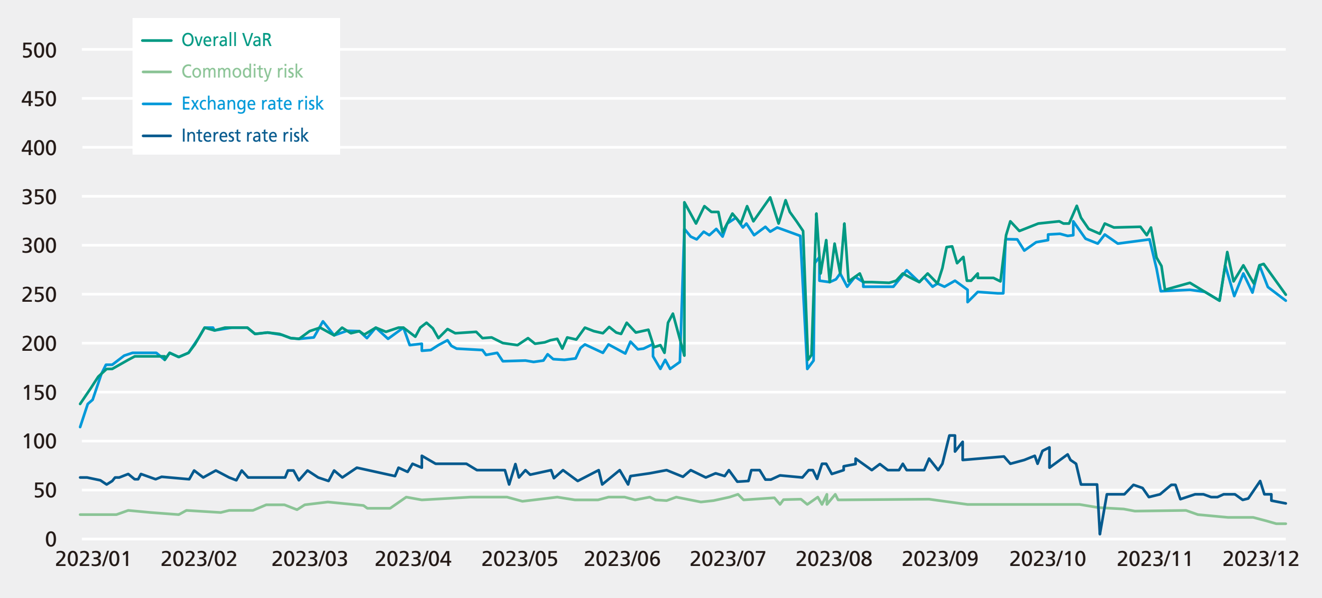
In millions of RMB

	2023				2022			
Item	**At the end of the period**	**Average**	**Maximum**	**Minimum**	At the end of the period	Average	Maximum	Minimum
Interest rate risk	**37**	**63**	**102**	**8**	63	43	70	29
Exchange rate risk[1]	**252**	**236**	**327**	**120**	110	93	203	11
Commodity risk	**14**	**32**	**42**	**14**	23	34	62	22
Overall VaR	**249**	**246**	**347**	**142**	138	112	216	55

Note: 1. According to the Capital Rules for Commercial Banks (Provisional), VaR relating to gold was reflected in exchange rate risk.

In millions of RMB

Change in VaR for the Trading Book in 2023



During the reporting period, the scale of bond portfolio increased, and the VaR of interest rate risk was higher than that of the previous year; the net exposure of gold portfolio increased, gold price volatility intensified, and the VaR of exchange rate risk increased; the exposure of silver portfolio remained stable and the VaR of commodity risk was basically unchanged as compared to the previous year.

Market Risk Management for Banking Book

The Bank managed market risk of the banking book through comprehensive use of technical measures such as 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 and overall income to suffer losses. The interest rate risk of the banking book of the Bank mainly comes from the mismatch of maturity or repricing periods of assets and liabilities which are sensitive to interest rate in the banking book and the inconsistent changes in the benchmark interest rate on which assets and liabilities are based.

In 2023, we paid close attention to the domestic and international macroeconomic situation and the trend of market interest rates, implemented the prudential management strategy for the interest rate risk of the banking book, and strengthened the deployment of the term structure and duration management of assets and liabilities to keep interest rate risk exposure at a reasonable level. We continued to optimize the internal and external pricing mechanism, made efforts to improve the level of volume and price coordination to maintain a prudential and sustainable growth of assets and liabilities. We strengthened monitoring, evaluating and tools building of interest rate risk of overseas institutions, optimized the limit system for interest rate risk, and improved the service and support capacity of interest rate risk management for business development. During the reporting period, all the interest rate risk indicators of the Bank were controlled within the scope of regulatory requirements and management objectives, and our interest rate risk of the banking book remained overall controllable, as shown by the result of stress testing.

Interest Rate Risk Analysis

At 31 December 2023, the accumulative gap with interest rate sensitivity due within one year of the Bank amounted to RMB413,749 million, representing a decrease of RMB200,557 million in absolute terms as compared to the end of the previous year.

Interest Rate Risk Gap

In millions of RMB

	Within 1 month	1–3 months	3–12 months	Sub-Total of 1 year and below	1–5 years	Over 5 years	Non-interest earning
31 December 2023	**(7,497,517)**	**1,359,936**	**6,551,330**	**413,749**	**(3,552,360)**	**5,838,437**	**83,878**
31 December 2022	(7,916,861)	1,130,785	6,171,770	(614,306)	(1,855,309)	4,896,869	99,569

Note: Please refer to "Note IV. 44.3 Market Risk to the Consolidated Financial Statements" for more details.

Interest Rate Sensitivity Analysis

In millions of RMB

	31 December 2023		31 December 2022	
Movements in basis points	**Movements in net interest income**	**Movements in other comprehensive income**	Movements in net interest income	Movements in other comprehensive income
Increased by 100 basis points	**(35,951)**	**(69,135)**	(43,303)	(59,146)
Decreased by 100 basis points	**35,951**	**69,135**	43,303	59,146

The interest rate sensitivity analysis above indicates the movements within the next twelve months in net interest income and other comprehensive income under various interest rate conditions, assuming that there is a parallel shift in the yield curve and without taking into account any risk management measures probably adopted by the management to reduce interest rate risk.

Based on the composition of the assets and liabilities at 31 December 2023, if the interest rates instantaneously increase (or decrease) by 100 basis points, the net interest income and other comprehensive income of the Bank would decrease (or increase) by RMB35,951 million and RMB69,135 million, respectively.

Exchange Rate Risk Management

Exchange rate risk refers to the risk arising from currency mismatches of assets and liabilities of banks. Exchange rate risk mainly consists of the trading exchange rate risk that could be hedged, and the exchange rate risk caused by assets and liabilities (the "non-trading exchange rate risk"), which could hardly be avoided in operations.

In 2023, the Bank regularly performed the exchange rate exposure monitoring, exchange rate sensitivity analysis and stress testing, and further refined the exchange rate risk measurement. We also flexibly adjusted the trading exchange rate risk exposure, and maintained the stable exposure in the non-trading exchange rate risk and exchange risk exposure of the Bank was controlled within the reasonable range.

Exchange Rate Risk Analysis

The Bank's exchange rate risk is mainly the exposure risk arising from the exchange rate of USD against RMB. In 2023, the mid-point rate of RMB against USD depreciated accumulatively by 1,181 basis points or 1.667%. As at the end of 2023, the foreign exchange exposure of on- and off-balance sheet financial assets/liabilities of the Bank was USD2,467 million.

Foreign Exchange Exposure

In millions of RMB (USD)

	31 December 2023		31 December 2022	
	RMB	USD equivalent	RMB	USD equivalent
Net foreign exchange exposure of on-balance sheet financial assets/liabilities	30,636	4,325	58,843	8,449
Net foreign exchange exposure of off-balance sheet financial assets/liabilities	(13,159)	(1,858)	4,306	618

Note: Please refer to "Note IV. 44.3 Market Risk to the Consolidated Financial Statements" for more details.

Exchange Rate Sensitivity Analysis

In millions of RMB

Currency	Increase/decrease in exchange rate of foreign currency against RMB	Impact on profit before tax 31 December 2023	Impact on profit before tax 31 December 2022
USD	+5%	(118)	77
	-5%	118	(77)
HKD	+5%	1,421	1,469
	-5%	(1,421)	(1,469)

The non-RMB denominated assets and liabilities of the Bank were primarily denominated in USD and HKD. Based on the exchange rate exposure at the end of the reporting period, the profit before tax of the Bank will decrease (or increase) by RMB118 million if USD appreciates (or depreciates) by 5% against RMB.

Liquidity Risk

Liquidity risk refers to the risk of being unable to timely acquire sufficient funds at a reasonable cost by commercial banks to settle amounts due, fulfill other payment obligations and satisfy other funding needs in the ordinary course of business.

Liquidity Risk Management

Liquidity Risk Management Governance Structure

The liquidity risk management governance structure of the Bank consists of a decision-making system, an execution system and a supervision system, among which, the decision-making system comprises the Board of Directors and its Risk Management and Consumers' Interests Protection Committee and the senior management; the execution system comprises liquidity management department, asset and liability business department and information and technology department, etc.; and the supervision system comprises the Board of Supervisors, the Audit Office, the Internal Control and Compliance Supervision Department and the Legal Affairs Department. The aforesaid systems perform their respective decision-making, execution and supervision functions based on the division of responsibility.

Liquidity Risk Management Strategy and Policy

We adhered to a prudent liquidity management strategy. We formulated our liquidity risk management policy pursuant to the regulatory requirements, external macroeconomic environment and our business development. We effectively maintained balance among liquidity, security and profitability, on condition of the guaranteed security of liquidity.

Liquidity Risk Management Objectives

The objectives of our liquidity risk management were to effectively identify, measure, monitor and report liquidity risk by establishing a scientific and refined liquidity risk management system, to promptly fulfill the liquidity needs of assets, liabilities and off-balance sheet businesses and perform the external payment obligations under normal business environment or under operational pressure; and to effectively balance both capital efficiency and security of liquidity while preventing the overall liquidity risk of the Group.

Liquidity Risk Management Method

We paid close attention to changes in external economic situation, monetary policies and market liquidity, continued to monitor our bank-wide liquidity condition, and strengthened the asset-liability matching management to mitigate risks related to mismatch of maturity. We secured the sources of core deposits and facilitated the use of proactive liabilities instruments to keep our financing channels smooth in the market. We improved the liquidity management mechanism through strengthening the monitoring, early warning, and overall allocation of liquidity position. With a moderate reserve level, we satisfied various payment demands. In addition, we refined the functions of the liquidity management system and improved the level of our electronic management.

Stress Testing Situation

Based on the market condition and operation practice, we set liquidity risk stress testing scenarios fully considering various risk factors which may affect the liquidity. We conducted stress testing quarterly. According to the testing results, under the prescribed stress scenarios, we have passed all the shortest survival period tests as required by regulatory authorities.

Main Factors Affecting Liquidity Risk

The major factors affecting liquidity risk include negative impacts of market liquidity, deposit withdrawal by customers, loans withdrawal by customers, imbalance between asset and liability structures, debtor's default, difficulty in asset realization, weakening financing ability, etc.

Liquidity Risk Analysis

During the reporting period, we managed cash flows brought by maturing fund properly and the overall liquidity was sufficient, secured and under control. As of the end of 2023, we fulfilled the regulatory requirements with liquidity ratios for RMB and foreign currency of 75.42% and 182.67%, respectively. The average of the liquidity coverage ratio over the fourth quarter in 2023 decreased by 2.97 percentage points to 123.93% as compared to the previous quarter. As of the end of 2023, the net stable funding ratio was 129.1%, with available stable funding of RMB27,373.9 billion as numerator and the required stable funding of RMB21,210.6 billion as denominator.

Liquidity Gap Analysis

The table below presents the Bank's net position of liquidity as of the dates indicated.

In millions of RMB

	Past due	On demand	Within 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
31 December 2023	**34,600**	**(15,959,023)**	**1,586,071**	**(925,666)**	**(20,560)**	**332,098**	**15,096,354**	**2,639,830**	**2,783,704**
31 December 2022	28,091	(14,851,039)	1,055,697	(851,028)	158,761	1,119,113	13,429,147	2,438,081	2,526,823

Note: *Please refer to "Note IV. 44.2 Liquidity risk to the Consolidated Financial Statements" for more details.*

For details of liquidity coverage ratio and net stable funding ratio of the Bank, please refer to "Appendix I Liquidity Coverage Ratio Information" and "Appendix III Net Stable Funding Ratio Information", respectively.

Operational Risk

Operational Risk Management

Operational risk refers to the risk of loss resulting from problematic internal procedures, employees or information technology system related factors, or from external affairs, including legal risk, but not including strategy risk or reputational risk.

In 2023, we reviewed operational risk appetite and management strategy and adhered to prudent risk appetite. We optimized the operational risk management tools, upgraded the operational risk management system, steadily promoted the identification and evaluation of operational risk events, and made a sound matrix operational risk management system. We actively participated in the revision of regulatory policies on operational risk management, carried out loss data cleaning and system building to make a good preparation for the implementation of new regulatory requirements.

We strengthened operational risk management in key areas. We optimized the case prevention monitoring and early warning platform and the "Three Lines and One Grid" management system, regularly carried out case risk investigation, case handling and accountability, and typical case review and deconstruction, improved the self-examination and self-correction mechanism, and maintained the tough stance for case prevention. We incorporated model risk in operational risk and standardized the life cycle model management. We strengthened management for information technology risk and business continuity to continuously improve operational resilience. We made risk and compliance review of outsourcing projects regularly, organized annual assessment on outsourcing risk, and strengthened risk management and control.

Legal Risk Management

Legal risk refers to any risk of banks suffering from adverse consequences including legal liabilities, loss of rights and reputational damage due to the breach of laws, administrative rules and regulations, or terms of contracts of its business operations and legal failure to duly regulate and exercise rights or external legal factors. Legal risk includes risk directly resulted from legal factors, as well as the risk associated with other forms of risks.

In 2023, we continued to deepen the construction of Agricultural Bank of China under the rule of law to further promote law-based governance. We strengthened legal support for financial services for such areas as major infrastructure financing projects, inclusive small and micro businesses, rural revitalization, technology finance, green finance, and "ensuring that overdue housing projects were completed and delivered to guarantee people's basic living needs and stability", strengthened the legal protection of intellectual property rights, and continued to deepen the legal efforts for personal information protection, to ensure that business operations were carried out in accordance with the law. We made best efforts to "bring all legal actions so long as they meet the threshold for standing", drove the establishment of the diversified dispute resolution mechanism, and gave full play to the role of law in collection. We prudently dissolved major sensitive legal risk and continuously promoted the resolution of long-pending cases to safeguard the lawful rights and interests of the Bank. We improved the legal risk management mechanism and realized closed-loop legal risk management. We actively participated in external exchange and discussion, and legislation opinion solicitation activities to contribute to the rule of law in finance. While strengthening the legal risk management in comprehensive and international operation, we improved our ability of legal risk management of the Group. We deeply performed the interim assessment on the implementation of the "Eighth Five-year Plan" for law popularization to raise the awareness and capability to operate by law. We promoted the construction of the culture of rule of law, and carried out publicity and education on the rule of law in various forms, so as to raise the awareness of the rule of law among all staff. We drove the digital transformation of legal affairs, and improved the intelligence level of legal risk management.

Reputational Risk

Reputational risk refers to the risk resulting from negative feedback from related stakeholders, the public and the media due to the operation of the Bank's institutions, behavior of employees or external events, thus damaging the brand value, causing adverse impact on normal operation, and even affecting market stability and social stability.

In 2023, the Bank steadily promoted the normalized construction of reputational risk management and improved the whole-process management efficiency of reputational risk. We perfected the reputational risk pre-assessment standard and properly handled reputational events. We optimized and improved reputational risk simulation drills, and carried out multi-level reputational risk management training. We actively explored innovative and effective paths for online public opinion guidance, and enhanced the capability of reputational risk management.

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 borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Bank or otherwise leads to business losses to the Bank in that country or region or other losses to the Bank.

We managed country risk through tools and approaches such as country risk rating, limit control, exposure monitoring, provision for asset impairment and stress testing. In 2023, in response to changes in the external situation, we reasonably set the country risk limits, and strengthened the country risk monitoring. We made adequate, reasonable and prudent provision for country risk in accordance with regulatory requirements.

Risk Consolidated

In 2023, we continued to improve the mechanism for the risk consolidation management of the Group, promoted the construction of the risk management system of the Bank and its subsidiaries to effectively improve the Group's integrated risk management level. We revised the risk management methods of subsidiaries and guided subsidiaries to further optimize the risk management mechanism. We guided our subsidiaries to revise their risk appetite statements and risk management policies on a subsidiary-specific basis, optimize their indicators for risk appetite and risk limits, and identify business strategies and risk management and control priorities. We strengthened risk penetration monitoring for market business of subsidiaries, developed and launched the risk management system for subsidiaries to monitor and report situations of subsidiaries' risks.

In addition, the Bank incorporated climate risk into its comprehensive risk management system. For details of climate risk management, please refer to "Information on Environmental, Social and Governance — Green Finance".

Capital Management

During the reporting period, we implemented our capital plan for 2022–2024, organized and promoted the implementation of the *Administrative Measures for the Capital of Commercial Banks*, and in line with the requirements of intensive capital development, fully fulfilled the restriction and guidance functions of capital on business, strengthened capital restriction and value return management, improved the long-term mechanism of capital management, and consolidated the foundation of serving the real economy to promote high-quality development of business operations.

During the reporting period, we continued to enhance the construction of Internal Capital Adequacy Assessment Process (ICAAP), enriched the main risk coverage dimensions, optimized the risk assessment system, and improved the ICAAP working mechanism. We completed the internal capital adequacy assessment for 2023, and carried out the specific audit to lay a solid foundation for capital and risk management. As one of the Global Systemically Important Banks and Domestic Systemically Important Banks, in accordance with regulatory requirements, the Bank gradually improved a re-testing mechanism for the recovery and disposal plan and constantly improved capabilities of risk warning and crisis management to reduce our risk spillover in the crises and strengthen the foundation of financial stability. We strengthened the planning for satisfying Total Loss Absorption Capacity (TLAC) requirements and actively promoted the issuance of TLAC bonds to lay a solid foundation for compliance and enhance our risk prevention capability.

We implemented advanced approaches of capital management and adopted advanced approaches of capital measurement and other approaches in the parallel implementation period to calculate capital adequacy ratio according to the regulatory requirements.

Management of Capital Financing

During the reporting period, we improved the capital replenishment system. On the basis of capital replenishment with retained profits, we proactively developed external resources for capital replenishment. We continuously optimized the capital structure, reasonably controlled the financing costs and effectively consolidated the capital foundation.

In August 2023 and March 2024, we issued RMB40.0 billion and RMB40.0 billion of write-down undated capital bonds in the National Interbank Bond Market, respectively, to replenish our additional Tier 1 capital.

In March, September and October 2023, and February 2024, we issued RMB70.0 billion, RMB60.0 billion, RMB60.0 billion and RMB70.0 billion of Tier 2 capital bonds in the National Interbank Bond Market, respectively, to replenish our Tier 2 capital.

In April 2023 and March 2024, the Bank redeemed Tier 2 capital bonds of RMB40.0 billion and RMB50.0 billion, respectively.

Management of Economic Capital

During the reporting period, we improved long-term mechanism for capital management, constrained total capital, optimized asset structure, improved the level of refined management, and reasonably controlled the growth of risk-weighted assets. We gave full play to the guiding and leveraging role of capital in business development and structural adjustment, allocated more for economic capital in key areas such as inclusive finance, rural revitalization, poverty alleviation, Sannong and County Areas, rural industries, key fields of food, major projects, private enterprises, green credit and manufacturing, and optimized the full-process control mechanism for the economic capital allocation, monitoring and appraisal to improve the accuracy and effectiveness of capital management policy transmission.

Capital Adequacy Ratio and Leverage Ratio

For details of the capital adequacy ratio of the Bank and credit risk exposures after risk mitigation, please refer to the *2023 Capital Adequacy Ratio Report* published by the Bank on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange. For details of the leverage ratio of the Bank, please refer to "Appendix II Leverage Ratio Information".

Information on Environmental, Social and Governance

Relying on our traditional strengths in areas such as inclusive finance and green finance, we promoted the deep integration of the sustainable development philosophy with our business management, and were committed to building an Environmental, Social and Governance (ESG) management system with sound governance structure, comprehensive management mechanism and adequate information disclosure.

The Board of Directors is responsible for formulating our sustainable development strategies and objectives, and evaluating the related risks and implementation of the strategies. The Strategic Planning and Sustainable Development Committee assists the Board of Directors in formulating and evaluating the sustainable development strategies and objectives. The County Area Banking Business and Inclusive Finance Development Committee, the Risk Management and Consumers' Interests Protection Committee, and the Related Party Transactions Management Committee consider core ESG issues such as County Area Banking Business and inclusive finance, consumers' interests protection, and related party transactions according to their respective responsibilities. The Green Finance/Peak Carbon Emissions and Carbon Neutrality Working Committee, the Consumers' Interests Protection Committee and the County Area Banking Division and Inclusive Finance Division Management Committee have been set up under the Senior Management, which are responsible for the management of the respective ESG issues, such as green finance, consumers' interests protection, County Area Banking Business and inclusive finance.

In 2023, we were selected among the first batch of top ten enterprises as "China ESG Model" by China Central Television and included in the list of "China ESG Listed Companies Pioneer 100". We won several awards such as the "2023 China Excellent ESG Practice" from China Central Television, the "ESG Competitive Enterprise of the Year", the "Outstanding Responsible Enterprise of the Year", the "Model Responsible Enterprise of the Year" and the "Special Contribution of China's Corporate Social Responsibility for 20 Years" from *Southern Weekly*, and the "Best ESG Practice Cases for Listed Companies in 2023" from China Association for Public Companies. Our MSCI ESG rating were upgraded to "AA".

Green Finance

We identified green finance as one of our three major strategies. In 2023, we closely followed the national plans of ecological civilization construction, strengthened the top-level design of green finance, optimized the green finance policy system, increased funding support for green industries, promoted diversified product and service innovation, and steadily advanced our own energy conservation and carbon reduction. As a result, progress in the green finance business has been achieved, and our brand image as a green bank continued to be enhanced.

Governance Structure

The Board of Directors is responsible for setting the bank-wide green finance development strategy and evaluating its implementation. The Board of Supervisors is responsible for supervising the implementation of the green finance strategy. The Senior Management is responsible for setting objectives for our green finance business, establishing mechanisms and procedures, and implementing green finance development strategy. The Green Finance/Peak Carbon Emissions and Carbon Neutrality Working Committee set up under the Senior Management is responsible for coordinating the implementation of strategic decision and overall deployment of the Board of Directors relating to green finance/peak carbon emissions and carbon neutrality, and reviewing major policy measures for green finance/peak carbon emissions and carbon neutrality.

Strategic Guidance

- We promoted the implementation of our *Green Finance Development Plan (2021–2025),* and the *Guiding Opinions on Accelerating the Development of Green Finance Business,* etc., and integrated the concept and requirements of sustainable development into all fields and the whole process of operation and management.

- We issued the key points of green finance/peak carbon emissions and carbon neutrality, identifying the annual priorities in green financial products and services innovation, risk prevention and control, and our energy conservation and carbon reduction.

Green Credit

- We increased the supply of green credit. We enriched the pool of major green finance projects, and increased credit support for the key areas, such as green upgrading of infrastructure, clean energy, energy conservation and environmental protection, ecological environment, clean production and green services. At the end of 2023, our green credit balance was RMB4,048.7 billion[1], representing an increase of 50.1% as compared to the end of the previous year.

- We strengthened our product innovation and promotion. We innovatively launched regionally featured products such as the green inclusive loan, marine ranching loan, and beautiful and harmonious countryside loan, and promoted application of rural living environment loan, lucid waters and lush mountains loan, ecological common prosperity loan, and forest (bamboo) carbon sink loan, etc.

- We strengthened policy guidance. We included the requirements for green and low-carbon development in our annual credit policy guidelines, Sannong credit policy guidelines and inclusive finance credit policy guidelines. We formulated or revised credit policies for industries such as flat glass, photovoltaic manufacturing, power batteries, papermaking, textiles, and rubber products, incorporating green development indicators, to promote the integration of indicators such as environmental protection, energy consumption, and production safety in industrial credit policies.

- We actively utilised the carbon emission reduction facility, special re-lending for clean and efficient use of coal and PBOC's other structural monetary-policy instruments. At the end of 2023, a total of RMB176.0 billion in carbon emission reduction loans were granted to 1,266 projects, driving a carbon emission reduction of 45.38 million tons.

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1 *The green credit balance is calculated according to statistics criteria of green financing formulated by National Financial Regulatory Administration in 2020.*

Green Investment and Financing

- We continuously increased our investment in green bonds. At the end of 2023, the green bonds invested for our own account reached RMB144.34 billion[1], representing an increase of 18.7% as compared to the end of the previous year.

- ABC-CA actively promoted green transformation and embedded ESG criteria in investment decision making. It constantly increased investment in green assets. At the end of 2023, the proportion of green investment in stock assets increased by 3.7 percentage points as compared to the end of the previous year.

- ABC Wealth Management actively implemented the philosophy of green development and increased investment in green bonds. In 2023, it invested in 26 new green bonds, with a year-end balance of all green bonds being RMB7,155 million. It continued to issue the ESG-themed wealth management products, with 26 new ESG-themed wealth management products issued in 2023, reaching a total of 50 ESG-themed wealth management products at the year end, with the scale amounted to RMB36,883 million.

- ABC Financial Leasing, adhering to the business philosophy of "green leasing", explored and established various business models, such as "leasing + credit", "leasing + equity investment" and "direct leasing + EPC", consolidated and expanded centralized wind power and photovoltaic leasing business, vigorously developed distributed photovoltaic and decentralized wind power leasing business, and innovatively implemented the operating leasing of electric power equipment and battery replaced heavy truck leasing business. At the end of 2023, the balance of green leasing assets was RMB68.77 billion, representing an increase of 24.7% as compared to the end of the previous year, accounting for 67.9% of its total leasing assets, representing an increase of 2.5 percentage points from the end of the previous year.

- ABC Investment identified green and low-carbon as key areas, promoted the integration of ESG philosophy into the investment process and proactively built a brand for green debt-to-equity swap investment. At the end of 2023, the balance of the green investment for its own account was RMB41.42 billion, representing an increase of 23.4% as compared to the end of the previous year. The green investment generated during the reporting period for its own account was RMB10.11 billion, targeting fields such as clean energy, clean production, energy conservation and environmental protection, and green upgrading of infrastructure.

- ABC Life Insurance made comprehensive use of financial instruments such as stocks, equity and bonds to increase investments in fields like wind power and photovoltaics. The increment of green investment reached RMB682 million in 2023.

Green Investment Banking

We engrained the green concept in all categories of products and services of our investment banking business and were committed to developing a leading bank in green investment banking.

- In 2023, more than RMB330.0 billion were provided to green industries and customers with investment banking products and services, representing an increase of more than 10% as compared to the previous year, to support key areas such as clean energy, pollution prevention and control, and upgrading of green industries.

- We underwrote several multi-tag bonds focusing on green, carbon neutrality, rural revitalization, scientific and technological innovation. We implemented the first asset-backed debt financing instrument in the four major themes of carbon neutrality, carbon assets, rural revitalization and old revolutionary base areas, and led the preparation of the sustainability-linked green syndicated loan for specialized and sophisticated "little giant" enterprises that produce new and unique products.

- As a shareholder of the National Green Development Fund, we actively participated in the operation of the fund and project investment.

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1 *Including the balance of the invested green bonds in non-financial institutions (according to the NFRA) for own account and the balance of the invested green bonds in financial institutions for own account.*

Green Bonds

- In November 2023, we listed a green bond, with a total value of USD0.3 billion, on the Hong Kong Stock Exchange and London Stock Exchange. The net proceeds will be used to finance or refinance the eligible green projects under the green financing framework of ABC London Branch. According to the opinion issued by Moody's, green financing framework used for this issuance is consistent with Green Bond Principles (GBP), ICMA, 2021 and Green Loan Principles (GLP), LMA, 2023, and the Sustainability Quality Score under green financing framework was SQS2 (Very Good).

ESG Risk Management

- We improved the risk management rules. We formulated the *ESG Risk Management Measures for the credit business*, and deeply promoted the ESG risk management on the principle of full coverage, classified management and whole-process control.

- We implemented classified management. We implemented differentiated management based on the potential ESG risks of our clients. We increased support for green, low-carbon and circular economy, and applied the rule of "one-vote veto" for non-eco-friendly customers and projects.

- We strengthened the whole-process control. We incorporated ESG risk management into the whole process of credit business, set out specific management and control requirements in due diligence, review, approval, duration management and other business links, implemented dynamic assessment and improved the level of refined ESG risk management.

- We enhanced the pre- and post-investment management for green bonds. Before the investment, we focused on the green attributes, economic and environmental benefits, and fund monitoring of investment projects. We also paid attention to the environmental and social risk management of issuers. After the investment, we continuously tracked and analyzed the environmental benefits of investment targets for improving the quality and efficiency of post-investment management.

Climate Risk Management

- We actively performed stress testing of climate risk. In 2023, we further expanded the coverage of assets and risk types, and further enriched and upgraded technical methods. Stress testing has gradually become an important tool for the Bank to identify and quantify climate risks. In terms of transition risk, we conducted macro scenario-based stress tests for climate risks, examined the general impact of carbon emission prices, energy consumption, changes in production output and capacity, cost price fluctuation and other factors on high-carbon industries, high-carbon upstream and downstream industries, and other industries to assess our capability to deal with transition risk under the dual carbon goal. The test results show that under the orderly transition and disorderly transition scenarios, all involved industries were affected to varying degrees, the credit risk increased but was generally controllable. In terms of physical risk, we selected three types of disasters, namely drought, flood and typhoon, to calculate the impact of extreme climate disasters on agricultural enterprises and farmers under different global temperature rise scenarios, and evaluate the possible losses of agricultural loans of the Bank. The test results show that under extreme climate scenarios, the risk of agricultural loans due to physical risk increased but the overall impact on the Bank was limited.

- We enhanced climate risk management of overseas institutions. We encouraged ten overseas branches and subsidiaries in Hong Kong, Singapore, New York, etc., to incorporate climate risk appetite into their risk appetite and management policies to enhance climate risk management and control according to their local conditions.

Promote our own Green and Low-Carbon Development

- We implemented the *Work Plan of Agricultural Bank of China for Peak Carbon Emission and Carbon Neutrality*, continued to promote the key tasks, including accelerating the construction of green outlets, implementing green offices, promoting the use of green energy, advocating green travel, enhancing carbon management capabilities, improving technological empowerment, implementing green procurement and shaping a green culture. We optimized the working methods and processes of "inventorying carbon emission", and strengthened carbon footprint management to promote energy saving, carbon reduction and green development of our own operations.

Improve the Image of Green Bank

- We attended the opening ceremony of the "China Corner" of the 28th meeting of the Conference of the Parties (COP28) to the *United Nations Framework Convention on Climate Change*, and the Side Event on Ecological Civilization and Beautiful China Practice.

- We performed the function as the third director of the Green Credit Committee of the China Banking Association, and promoted the establishment of a green and low-carbon development exchange platform for the banking industry of China.

- We were awarded the "Advanced Institution of Green Bank Evaluation" by the China Banking Association, "Green Finance Golden Bull Award" by *China Securities Journal,* and other honors.

Green Finance Training

- We continued to implement the "Green Finance Talent Empowerment Program", promoted the establishment of the green finance posts system, strengthened the introduction of green finance professionals, and built professional talent teams to enhance the professional level of green finance management and services.

- We launched specific trainings and seminars on green finance, organized special trainings in rotation for vice presidents of tier-2 branches and tier-1 sub-branches on Dual Carbon and green finance, special trainings on green finance and industry credit management, and special online trainings on green finance.

Human Capital Development

Talent Development Strategy

We took talents as the first resource to lead our reform and development. We deeply implemented the strategy of empowering the Bank with talent force in the new era, strengthened the training and development of talents at all levels in a systematic manner and continuously improved the structure and the overall quality of our talent team.

- We made great efforts on talent team construction in the new era. We deeply implemented the talent development plan for the "14th Five-Year Plan" period, continuously deepened the system and mechanism reform of talent development, promoted the implementation of a series of major talent projects and special talent programs. Focusing on key areas, such as rural revitalization, inclusive finance and information technology, we actively promoted construction of classified and hierarchical professional talent pools, and strengthened training and cultivation of talents in the talent pools. We continuously strengthened team construction of professional talents like customer managers; optimized promotion and development mechanism for professional posts to further broaden talent development channel; orderly carried out senior post title assessment to further expand the development space for high-end talents.

- We deepened the implementation of the Youth Talent Development Project. We selected over 3,900 outstanding young frontline employees to join in the talent pools; built excellent leader teams at all levels of the Bank with diverse ages and complementary professional strengths; carried out two-way exchanges between the Head Office and branches, between provincial branches, and between the Group and its subsidiaries, and programs of secondment to local governments, and expanded the coverage of talent exchanges between eastern, central and western provinces; and selected outstanding young talents to practice in foundation-level institutions. We also paid attention to cultivating, training and using talents in the foundation-level institutions and in the front line of rural revitalization areas.

- We recruited more than 32 thousand staff in 2023 to actively implement the national policy of employment priority, 51.5% of which are female and 11.4% of which are ethnic minorities. The composition of the workforce of the Bank has satisfied gender diversity, and is expected to maintain a reasonable level of gender diversity.

Human Resource Cultivation

- We held special training courses with focus on strategies. We cooperated with well-known domestic universities to organize special rotation trainings on Dual Carbon and green finance, and trained over 3,700 participants; organized rotation trainings for persons in charge of the outlets in key national counties receiving assistance in pursuing rural revitalization; extensively carried out online learning and training, with 127 thousand participants attending the online trainings on rural revitalization, 123 thousand on green finance, and 119 thousand on digital operations.

- We intensively conducted hierarchical and classified talent trainings. We organized online special training session on "Typical Cases of Peak Carbon Emissions and Carbon Neutrality" for our leaders. We conducted "Young Backbone Training Camp" and "Kunpeng Training Camp" for young employees and cadres, and continuously carried out "Executive Management Training (EMT)" and "Youth Training — Sailing Plan". We sent our young cadres to study in overseas organizations and strengthened the reserve of internationalized talents in a forward-looking manner. More than 800 sessions of centralized face-to-face training for customer managers were held, training more than 70 thousand employees. We also held the first specialized training session for employees who are veterans. In 2023, we held 17.9 thousand training sessions and trained almost all employees.

- We continued to optimize and improve online learning. We continuously promoted the application of the smart classrooms and intelligent studios, optimized and upgraded the "ABC E-Learning" platform, and all of our employees attended online trainings. We offered more quality learning resources by establishment of an electronic library "Cloud Library", with 30,000 e-books, and independently developed over 3,700 quality courses.

- We supported our staff in obtaining professional qualification certifications. We promoted the construction of a knowledge system in relation to the position qualification certification examination, with 588.1 thousand staff members attending the exams and with 856.1 thousand holders of position qualification certificate to complete continuing education and on-the-job learning in 2023. We encouraged our staff to continuously enhance their professional abilities and supported them in taking various domestic and international exams for professional certificates.

Performance Evaluation

We conducted regular assessments and evaluations on employees, which covered key performance and competency, etc. The results of the assessment were communicated to employees in an appropriate manner and applied in remuneration allocation, promotion, training and development, awards for progress and excellence, etc. Through the implementation of such employee performance management, the performance levels of employees continued to improve, which was conductive to their capability enhancement and career development.

Employees' Interests Protection and Labor Relation Conciliation

- In strict compliance with the national labor-related laws and regulations, we eliminated discrimination against nationality, race, gender, or religious beliefs, entered into labor contracts with employees in accordance with the law, and provided equal and fair career opportunities to all employees.
- In formulating, modifying or deciding on regulatory framework or significant proposals which are vital to the interests of employees, we sought feedback from employees or employee representatives to effectively protect the legitimate rights and interests of both the Bank and all employees.
- We have established a labor dispute mediation committee, formulated the *Management Measures on Labor Dispute Mediation*, established compliant and effective mediation procedures, and provided employees with channels to appeal against labor disputes.

Democratic Management of Enterprises

- We have established the system of employee representatives meeting in institutions of all levels of the Group to effectively safeguard the staff's right to information, participation, expression and supervision.
- In 2023, representatives of the employee representatives meeting of the Bank considered the *Regulations on Management During Training Service Period of Agricultural Bank of China (Draft for Comments from Staff Representative Assembly)* and other systems and programs involving the personal interests of employees, to safeguard and protect the legitimate rights and interests of employees.

Caring for Employees

- We made continuous improvement of the working and living environment for employees in foundation-level institutions. In 2023, we completed the renovation and upgrading of Home of Employees facilities in 2,722 branch outlets; built 6,271 new Home of Employees facilities, including 5,710 independent functional areas, such as small canteens and small reading rooms, and 561 comprehensive functional areas.
- We cared for the physical and mental health of employees. We offered health checkup for all employees across the Bank at least once a year. We incorporated mental health education into the general curriculum of staff training, and the new online courses launched in 2023 attracted 360 thousand employees to watch and learn.
- We provided regular support for and expressed condolences to employees in difficulties. We actively joined earthquake relief efforts, promptly allocating special funds to branches in affected areas such as Hebei and Gansu for the purchase of disaster relief supplies and offering condolences to affected employees, among other support measures.
- We carried out a survey on the job satisfaction of employees across the Bank, and the overall degree of satisfaction was 87.87%.
- In strict compliance with national laws and regulations, we paid social insurance and provident fund for employees, and established supplementary medical insurance and enterprise annuity. Employees enjoy paid annual leave in accordance with national regulations.

Consumers' Interests Protection

We effectively assumed the primary responsibility of protecting the legitimate rights and interests of financial consumers, and promoted the implementation of the *Measures for the Administration of Consumer Rights Protection of Banking and Insurance Institutions*. We continued to improve the whole process management and control mechanism, actively innovated management methods, continuously improved the refinement and management efficiency of consumers' interests protection, and deeply strove to build a pattern of "the bank-wide management of consumers' interests protection, and the bank-wide responsibility for consumers' interests protection", to ensure fair, just and honest treatment to consumers in the whole process of business operation.

Supervision and Review of Products/Services

- The Board of Directors, the Risk Management and Consumers' Interests Protection Committee under the Board of Directors, and Consumers' Interests Protection Working Committee under the senior management of the Bank held meetings on a regular basis to listen to the report on the implementation of consumers' interests protection work (including review of consumers' interests protection), and study and consider important issues in relation to consumers' interests protection.

- The concept of consumers' interests protection is embodied in our products and services, and we continuously improved the review mechanism of consumers' interests protection. We have formulated the *Management Measures on Consumers' Rights Protection Review of Agricultural Bank of China*. We carried out review of consumers' interests protection in the design and development, pricing management, agreement formulation, marketing and publicity, and customer and business management of products and services offered to consumers, in order to promptly identify, warn and eliminate potential risks and prevent the occurrence of infringement of the legitimate rights and interests of consumers from the source. We promptly updated the key points of consumers' interests protection review, unified the review standard, and enhanced the professionalism of review opinions, based on any changes in laws, regulations and regulatory requirements and our accumulated experience in review. We incorporated consumers' interests protection review into the evaluation of consumers' interests protection work, and into the risk management and internal control systems to strengthen the binding force and authority of consumers' interests protection review. We carried out special audit for consumers' interests protection every year, and further enhanced audit for the key areas of regulatory concern.

Personal Information Protection

- We actively implemented the requirements of *Personal Information Protection Law* and other laws and regulations. Focusing on the contract modification, system revisions, data classification and grading, system modification, counter process optimization and credit management, we established a mechanism for prior impact assessment, enhanced risk management of personal information protection, conducted training of personal information protection and penetrated the personal information protection requirements into the whole process and all segments of our business operation and customer service.

- We followed the principle of "legality, propriety, necessity, and integrity" in collecting customer information, and specified the rules, purposes, methods, scope and procedures of collection. To the minimum extent necessary for the purpose of processing, we collected customer information as required by laws, administrative regulations and business needs, and used customer information in strict accordance with the scope of use authorized by customers and the agreed purposes.

Publicity and Trainings of Consumers' Interests Protection

- We performed education and publicity activities on financial literacy at rural areas, communities, campuses, enterprises and business districts, with focus on common financial knowledge, and hot issues, etc. to meet the public needs. We innovated education and publicity methods with the launch of the digital exhibition hall of "ABC Affectionate Consumers' Interests Protection". In 2023, we organized more than 137 thousand publicity activities, with 767 thousand publicists attended and 1,032 million consumers involved.

- We continuously deepened the concept of consumers' interests protection among employees, and conducted trainings in a multi-channel, multi-level and multi-form manner. We launched the knowledge contests themed "learning about, knowing and practicing consumers' interests protection", and organized more than 4,500 collective training sessions on consumers' interests protection, with over 1.07 million trainees in 2023.

Debt Collection Policies

- We carried out collection of overdue individual loans in accordance with laws and regulations. In strict compliance with the regulations on the protection of consumers' legitimate rights and interests, we enhanced personal information protection and strictly prohibited to use improper means for collection. We revised related systems to standardize the procedure for collection of overdue individual loans, and continuously optimized the overdue collection system and collection strategy to explore the application of diversified dispute resolutions to dispose non-performing loans.

Customer Complaint Monitoring

- We have a clear division of responsibilities for customer complaint management. The Consumers' Interests Protection Working Committee at all levels of the Bank is responsible for planning and deploying customer complaint management, studying and considering major issues in the complaint management, and coordinating the resolution of major complaint matters. The Consumers' Interests Protection Office, the Remote Banking Center, the Operation Management Department and the various business departments cooperate with each other to deal with customer complaints.

- We analyzed and reported all complaints on a regular basis, and implemented classified measures. We have implemented the reduction and treatment of complaints in different types and established a Bank-wide working mechanism of tracing and rectification of complaints, which enabled us to timely identify and improve problems and risks lying in products, systems, processes and services and identified in the course of handling complaint. We formulated the *Guidelines for Traceability and Rectification of Complaints*, which regulated traceability and analysis, transfer of leads, optimization and rectification, and summarization and evaluation, and specifies responsibilities of all the stakeholders, to form a complete closed loop of "complaint acceptance→complaint handling→tracing and rectification→business improvement→complaint reduction".

Complaint Handling

- The hotline for customer complaint of the Bank is 95599 and the hotline for credit card complaint is 400-669-5599.

- In 2023, the number of complaints received and classified as individual customer complaints by all channels across the Bank was 212 thousand. Customer complaints were mainly related to debit cards, credit cards, retail loans and other fields, with a larger number of complaints from branches with a larger number of retail customers and branch outlets, such as branches in Guangdong, Hebei, Jiangsu and Shandong.

- We continued to improve the standardization of complaint handling. We managed complaints in the key areas of credit cards to reduce credit complaints in an orderly manner. We continuously optimized the handling process of credit card complaints and actively introduced the mechanism of neutral evaluation for perplexing cases and fast mediation to properly handle customer disputes.

Options for Loan Changes

- We actively implemented the requirements of the PBOC and the NFRA to lower interest rates on existing mortgages loans for first-home, adjusted the interest rates on existing mortgages loans for first-home in a compliant and orderly manner, and continuously enhanced customer services. In 2023, we lowered the interest rate for more than 7.63 million borrowers of existing mortgages loans for first-home accumulatively, with an average reduction of 73 BPs, effectively reducing the financial burden of customers.

Privacy and Cyber & Data Security

Entities Responsible for Privacy and Cyber & Data Security

- The Board of Directors and Senior Management of the Bank attach great importance to privacy and cyber & data security. The Bank's *Cyber Security Management Measures* specifies that the Chairman of the Board of Directors is the person assuming primary responsibility for the Bank's cyber security and the presidents in charge of cyber security in institutions of all levels are the persons assuming direct responsibility. The Technology and Product Innovation Committee is set up under the Senior Management as a body to consider major matters on IT construction and product innovation and the President serving as its chairman.

- The Bank's Board of Directors listened to the reports on cyber & data security for 2023. The Senior Management reviewed and studied the cyber security and data security management work and identified the key tasks for 2023.

Privacy Policy

- The Bank's privacy policy is in strict compliance with the *Personal Information Protection Law* and regulatory requirements, and adheres to the principles of legality, legitimacy, necessity, and integrity, the principle of consistency with rights and responsibilities, the principle of clarity of purpose, the principle of informed consent, the principle of data minimization, the principle of ensuring security, the principle of subject participation, and the principle of openness and transparency.

- We published the *Privacy Policy (for Individuals)* and *the Privacy Policy (for Corporates)* on the Bank's official website, in Mobile Banking app, at counters, super counters, and otherwise. The Privacy Policy lists the personal information demand and to be processed by the core business functions of our main service channels, sets out the rules for our processing and protection of customers' personal information, such as the purpose, method and scope of processing, and protection measures, and presents the rights of customers in the processing of personal information and the way to realize the relevant rights. Our rules for handling personal information may also be presented to customers through product or service agreements, power of attorney and other means to obtain authorization or consent from customers according to laws. The above documents, together with the Privacy Policy, constitute the entire privacy policy for the Bank's products and services for customers.

- In 2023, we continued to update the privacy policy to improve the methods and procedure for customers to exercise their legitimate rights.

Cyber & Data Security Management

- In 2023, we revised the *Data Security Management Measures* to improve the requirements of data security management principles, governance structure, grading and classification, security management, technical protection, risk monitoring and incident handling, evaluation and accountability. The measures are applicable to the Bank's domestic institutions at all levels and overseas branches.

- We continued to improve the level of data security control in key areas. We upgraded the terminal data leakage prevention system, carried out centralized rectification activities for sensitive data of corporate customers so as to continuously improve the level of terminal customer data protection. We strengthened the security control for data used outside of the Bank, and further standardized the management and control mechanisms and processes for data entrusted processing, joint processing, and provision to external parties. We standardized data export management, completed the identification of data export business scenarios, and steadily promoted regulatory reports and assessment reporting for data export.

- We have formulated specific handling measures for different scenarios of data privacy leakage. In response to employees' inquiries in violation of laws and regulations and improper provision or disclosure in the course of business as well as improper use by third-party cooperative institutions, we have formulated the *Emergency Response Plan for Personal Information Security Incident of Agricultural Bank of China* to clarify the handling organization and assignment of responsibilities, and standardize mechanisms and process of alert, drill, reporting, and handling. For scenarios such as application loopholes being exploited and database being attacked to cause data leakage, we continued to enrich and improve information systems' emergency response plans, clarifying the applicable scope of emergency response, coordinating departments, emergency duration and operation procedures in each scenario, to make the plans practical, so as to effectively improve our emergency response ability for relevant emergencies. Emergency drills have been regularly organized to continuously improve the efficiency of our emergency response, and comprehensively enhance our ability to ensure business continuity.

- We strengthened the cyber security management of overseas institutions and subsidiaries to improve the cyber security protection capability of the entire Group. We strengthened the governance of vulnerabilities, realizing zero-vulnerability in the Bank's service domains and channel domains for 12 consecutive quarters. We advanced the development of cloud security protection system, with a coverage rate of 100% in terms of cloud container security tools. We won the first place for solutions in the financial industry in the Fifth Central Enterprises Cyber Security Competition.

Privacy and Cyber & Data Security Staff Training

- We regularly compiled data security policy briefs, organized special lectures, special training, and case study, and enhanced employees' data security awareness in various forms such as prompt letters, management manuals, morning meetings at outlets, micro-salons, and WeChat tweets. In 2023, we carried out a total of 1,534 data security publicity and education activities, involving all employees and reaching 1.77 million person.

- We conducted three training sessions for cyber security personnel in the Head Office, branches and subsidiaries, including financial technology policy, frontier technology, management requirements and application practice related to cyber security, and organized attack and defense practical training, and simulation exercises to further enhance the professional level of the Bank's cyber security staff at all levels.

Cyber & Data Security Certification

- The Data Center of the Bank introduced the ISO27001 international standard in 2010, established a comprehensive standardized information security management system with full coverage, and passed the certification in the same year. The Data Center of the Bank has continuously optimized and improved the information security management system, and passed the certification audit of China Cybersecurity Review, Certification and Market Regulation Big Data Center (CCRC) in recent years.

Information Technology Audit

- The Bank's internal audit department conducted special audits on IT management for the Head Office and 37 branches according to the requirement of full coverage of audited items every three years, covering IT governance, IT risk management, cyber security, system R&D management, operation and maintenance of systems, business continuity, IT outsourcing management, data governance and data security, among others.

- During the financial reporting audit, the external auditor tested specific control points in areas of our IT development planning, security, internal supervision, organizational structure and personnel, and risk management.

Accessibility of Finance Services

Inclusive Finance

During the reporting period, for the purpose of improving the capability to serve the real economy, the Bank comprehensively improved the supply, coverage and sustainability of inclusive financial services. At the end of 2023, the balance of inclusive loans for small and micro enterprises was RMB2,458,322 million, representing an increase of RMB689,328 million or 39.0% as compared to the end of the previous year, 24.6 percentage points higher than that of the Bank; the loan customers were 3,538 thousand, an increase of 1,009 thousand as compared to the end of the previous year; and the annualized interest rate of the newly granted inclusive loans stood at 3.67%, a decrease of 23 BPs as compared to the previous year. Meanwhile, with high-quality inclusive finance services to support rural revitalization, the balance of inclusive loans including production and operation loans granted to rural households reached RMB3,515,641 million.

- We strengthened the construction of inclusive financial service system. We built an online business hall for small and micro enterprises, released the "Inclusive E-station 3.0 of ABC", to improve the one-stop loan service capability and comprehensive service capability for all products. We improved the two-level inclusive financial specialized institution system at head office and branches, and enhanced the classified operation of small and micro financial service of our branch outlets. We established 500 specialized institutions at the Head Office level and 10,060 development-type branch outlets for small and micro credit business, and built 296 characteristic sub-branches for small and micro enterprises to comprehensively enhance the capability of inclusive financial services of grassroots branches.

- We optimized the supply of inclusive financial credit products. Focusing on the differentiated needs of small and micro enterprises, individual industrial and commercial households and rural households, we upgraded the general products of the Bank such as "Micro Quick Loans", "Quick Loans" and "Supply Chain Quick Loans" and the special products of branches to improve customer experience. We improved the layered and classified product innovation mechanism, set up product innovation bases in branches, and promoted product innovation and reuse, to improve the capability and efficiency of product innovation.

- We improved the long-term service mechanism for inclusive finance. We maintained the continuity and stability of credit business policies and systems for small and micro enterprises, and continued to increase support for credit management, assessment and evaluation, resource guarantee, and due diligence and liability exemption. The Bank promoted the integration of online and offline development, explored the centralized operation mode, optimized the credit business process, to improve the efficiency and capability of inclusive financial services.

- We improved the digital risk control capability for inclusive finance. Adhering to the concept of whole-process and intelligent risk control, we built a comprehensive quantitative risk control system, used internal and external multi-dimensional data for customer profiling, strictly controlled pre-loan access, strengthened loan monitoring, and improved post-loan management. The asset quality of inclusive loans remained within the regulatory requirements.

Accessibility of Channels

Through various offline, online and remote channels, the Bank continued to innovate service products, optimize service quality and expand service scope, so as to provide customers with extensive and accessible financial services.

Offline Channels

- We served the rural revitalization strategy. We maintained the stability of the total number of branch outlets, continuously optimized the layout of branch outlets by relocating the branch outlets to areas covering counties, urban-rural fringe and suburban, and key townships to continuously extend the channels in County Areas.

- We strengthened the service capability of branch outlets. We earnestly practiced the people-centered value orientation and carried out the "ABC Affectionate Service Project" with the theme of "Making Progress Every Day to Better Serve Customers" to improve customer service experience. We upgraded the service brand of "ABC Affectionate Space", built a special service area for outdoor workers, and provided convenient services such as rest places, hot meals and drinking water. We continued to improve the elderly-friendly services at branch outlets, and provided door-to-door services for 0.25 million elderly customers and those of other special groups.

Online Channels

- Mobile Banking. As of the end of 2023, the Bank had 512 million registered retail customers of mobile banking, an increase of 52 million as compared to the end of the previous year; and 6.91 million registered corporate customers of mobile banking, an increase of 1.64 million as compared to the end of the previous year.

- Online Banking. As of the end of 2023, the Bank had 490 million registered retail customers of online banking, an increase of 46 million as compared to the end of the previous year, and 12.09 million corporate customers of online financial services platforms, an increase of 1.42 million as compared to the end of the previous year.

- Self-service Banking. The Bank continued to promote the construction of a unified platform for intelligent terminals, developed and piloted smart low-counter system, optimized business functions and service processes, and precisely reduced low-efficiency equipment to continuously improve the customer experience. As of the end of 2023, the Bank had existing 54.9 thousand super counters, 53.7 thousand cash-type self-service devices and 3.2 thousand self-service terminals.

Remote Channels

- In 2023, the Bank reached a total of 325 million customers through all-media customer service (including voice, text, video, and new media). Among them, the manual services with inbound voice were provided for 68.22 million customers, with a customer satisfaction rate of 99.85%.

- We consolidated and improved customer service experience. We launched the functions of inquiring the qualification of housing loan interest rate adjustment and results of batch adjustment in voice customer service channels, and actively mobilized service resources during peak business hours to quickly respond to customer demands. We established a service team for the "one-click call transfer" service of the 12378 hotline to properly handle event registration, transfer and customer return visits. The connection rate of the dedicated line was 99.81%, and the customer satisfaction rate was 99.29%.

- We deepened the intelligent construction. Relying on the artificial intelligence innovation laboratory, we accelerated the pre-research and incubation of large model technology, and launched functions such as answer recommendation and knowledge base auxiliary search in the customer service knowledge base. We optimized the FAQ answers of intelligent robots, and added new task-based multi-round interaction scenarios. We iterated and upgraded the intelligent outbound call system, and launched functions such as resource scheduling and performance analysis to realize the automatic processing throughout the whole process of intelligent outbound calls.

- We expanded and extended the scope of services. We launched the video customer service function in the rural version of mobile banking and launched the "Cloud Expert" video business for key counties receiving assistance in pursuing rural revitalization and designated counties receiving assistance, so as to expand the "on-site + remote" interview scenarios of loans. The "Huinongtong" machine was provided with the QR code of the WeChat official account of the "Agricultural Bank of China Cloud Customer Service" to provide dedicated remote services for "Huinongtong" customer groups.

- We provided remote services for special customer groups. We provided sign language customer service scenarios for special customer groups, and cooperated with offline channels to make remote appointment for elderly customers and other groups to provide door-to-door services. We continued to strengthen the remote service of special language types such as Tibetan and Yi languages in the "Three Regions and Three Prefectures".

Philanthropy

- We innovatively launched the "ABC Charity" brand. In October 2023, we released the public welfare brand "ABC Charity", which has a visual image reflecting our cultural characteristics, to lead the development of our public welfare undertakings with the new public welfare image.

- We formulated the implementation plan for public welfare brand building. Focusing on the areas of supporting rural revitalization, protecting green ecology, and caring for vulnerable groups, we emphatically implemented four major campaigns of "revitalization", "protection", "care" and "realization of dream", strengthened the promotion of key public welfare projects, and effectively performed public welfare brand management.

- We continued to promote youth volunteer services. We organized 3,751 youth volunteer teams with more than 63 thousand young volunteers to carry out 15 thousand volunteer activities on the occasion of Double Ninth Festival and other important festivals to carry out public welfare undertakings such as helping the disadvantaged and disabled, caring for and respecting the elderly, and providing social services.

- We continued to conduct "love for the blind" activities. We set up the "My Voice, Your Eyes" volunteer service team, and it has conducted a series of activities over the past 10 years such as "describing movies to the blind", "reading books to the blind", and "accompanying the blind when traveling". At the end of 2023, we had described 104 films and provided more than 10,200 hours of volunteer service.

Corporate Behavior

High standards of professional ethics are key to good corporate governance, the Audit and Compliance Committee under the Board of Directors of the Bank paid attention to aspects including employees' conduct management, prevention and control of cases of violations and construction of compliance system, and special audits.

Whistleblower Protection

- We improved the mechanism for letters and visits. We formulated *the Working Rules for Simple Handling of Letters and Visits of Agricultural Bank of China* and *the Working Rules for Legally Classifying and Handling of Requests Made by Letters and Visits of Agricultural Bank of China* to further standardize the way of handling letters and reception of visits, improve efficiency and quality, and better protect the legitimate rights and interests of the visiting people.

- We kept the reporting channels smooth for the public. Citizens, legal persons or other organizations can report problems, make suggestions, comments or complaints through a variety of channels such as letters, visits and calls. We set up the Letter and Visit Office and a Letter and Visit Reception Room at the Head Office, and staffed all domestic branches with dedicated officers for letters and visits to handle letters, visits and calls within the prescribed time limit, and listen to the opinions, suggestions and demands of the public.

- We strictly implemented the discipline for our work of letters and visits. Staff members for letters and visits who have direct interests in the letters and visits matters or persons must recuse themselves and shall not interfere with the relevant work or handle the relevant matters without authorization. Staff members for letters and visits shall not accept gifts, money or negotiable securities from letter writers and visitors.

- We seriously enforced confidentiality requirements. The staff members for letters and visits shall strictly keep confidential the name, employer, home address and other information of the informants and the contents of the letters and visits, shall not provide the material of the letters and visits to unrelated persons, and shall not take letters out without permission. We prohibit to reveal the materials and relevant information of the informants' reports and denunciation or transfer to the person or the institution being reported or denounced.

Business Ethics and Anti-corruption Supervision

- We consistently carried out audits on economic responsibilities of leaders, focusing on the implementation of their responsibilities for establishing a clean and integrity working environment construction of the Party and the compliance with the requirements of integrity professional practices in economic activities. Through conducting audits, the regulation of power usage is facilitated while the anti-corruption initiatives are promoted.

- We continued to give full play to the advantages of the on-site supervision system. With a focus on the "key minority" and the critical areas, we firmly penalized financial corruption and maintaining a high-pressure and deterrent posture.

- We promoted the construction of a "smart case prevention" platform, strengthened the monitoring capacity of case risk clues, optimized and upgraded the monitoring model in the field of abnormal behavior of employees, and carried out special investigations throughout the Bank. We also conducted retrospective analysis of typical cases and studied and formulated preventive control measures.

Anti-bribery and Anti-corruption

- We enhanced the institutional systems and tightened institutional "constraints". We formulated or revised relevant systems and normative documents such as management measures for centralized procurement, management measures and implementation rules for related party transactions, and management measures for conducts of transaction personnel in financial market business to further improve the rules and institutional systems, and ensure that power is exercised within institutional "constraints".

- Focusing on critical areas, we improved the risk control system for case prevention. Focusing on power-concentrated, capital-intensive, resource-rich and other critical areas, we continued to strengthen supervision and management. We carried out special rectifications for bad practices and corruption in rural revitalization and special investigation and rectification of integrity risks in key areas and positions such as selection and appointment of personnel, credit approval, and disposal of non-performing assets, and made well-coordinated promotion for cracking down on corruption and risk prevention and control. We carried out risk investigation for abnormal behaviors of employees such as gambling, running business and enterprises in violation of regulations, and having fund intercourse with credit customers, optimized and upgraded the case prevention and monitoring system, and prevented and resolved potential case risks.

- We focused on the "key minority" and strengthened supervision and management. We strictly implemented systems such as recording and reporting leading cadres' intervention in major events in violation of regulations, promotion and demotion of cadres, exchange and rotation of leading cadres and avoidance of duty performance, and strictly regulated the behaviors of leading cadres' spouses, children and their spouses in running business and enterprises. We strictly implemented the system of reporting personal matters of leading cadres and imposed serious accountability for inconsistencies found in the inspections. We insisted on giving integrity reminders to "key minority" through text messages, mails and meetings during important holidays and points.

- We strengthened the construction of a culture of integrity and created an atmosphere of upholding integrity and cleanliness. The warning education conferences across the Bank were held three times successively, and the cases of violation of disciplines and laws as well as typical issues of violating the Party's eight-point frugality code were reported intensively, forming a strong deterrent. We explored hierarchical and classified, and similar problems warning education, and took cases as lessons and to promote rectification. We carried out activities in-depth of the Year of the Consolidation of Integrity Culture Construction, and the Year of Compliance Benchmark Construction to constantly create a strong atmosphere of integrity and compliance.

Anti-money Laundering

- We improved the top-level structure for sanction risk management, established a leading group under senior management for sanction risk prevention and control to strengthen centralized and unified leadership. We fully completed the centralized handling of early warnings for all cross-border transactions of domestic branches to enhance the capability of the Head Office for direct control.

- We built a three-dimensional institutional system for customer due diligence, reconstructed the framework of risk rating model related to customer money laundering, and continued to optimize the customer due diligence platform in order to enhance precise identification and management and control capabilities for customer risks.

- We put into production a new generation model management tool for transaction monitoring to enable the full-cycle standardization and standardized management of the model. We continued to optimize the anti-money laundering intelligent monitoring system, and started pilot collaboration between the Head Office and branches for handling early warning of suspicious transactions to improve the quality and efficiency of monitoring analysis work and the value of financial intelligence.

- We conducted audits of anti-money laundering, with a focus on the implementation of the regulatory requirements on anti-money laundering promulgated by the PBOC and the NFRA, including compliant governance of anti-money laundering, customer due diligence, reporting of large-amount transactions and suspicious transactions, and assessment of money laundering risks of products, etc. The audit covered the departments of the Head Office, domestic branches, overseas institutions and subsidiaries. The audit information was reported to the Board of Directors and included in the closed-loop management of audit rectification and supervision.

Employee Ethical Standards Training

- We have formulated the *Code of Conduct for Employees of Agricultural Bank of China* to establish the basic principles for employees to do the right things. We set out general requirements for the employees' professional ethics and conduct in four aspects, including dedication, credibility, diligence and compliance. It also specifies the special requirements by the laws and regulators for bank employees in nine aspects, including confidentiality obligations, conflict of interest, customer relations, fair competition, integrity and self-discipline, colleague relations, daily office work, professional image and supervision and reporting.

- During the reporting period, the learning and education of *Code of Conduct for Employee* were normalized and integrated into the "Year of Compliance Benchmark Construction" activity. We broadly held the compliance publicity, warning education, and special training throughout institutions of all levels and business lines, covering all institutions and personnel of the Bank.

Supplier Anti-corruption

We persistently upheld the philosophy of compliance with laws and regulations in centralized procurement, strictly implemented national laws, regulations and the internal management policies and made endeavour to establish a centralized procurement management system with high-quality that is fair, clean and efficient, to ensure that our anti-corruption policies cover all centralized procurement projects and participating suppliers.

- We raised strict access requirements for suppliers. We formulated an internal management system for supplier access, standardized the qualification conditions of suppliers for procurement projects as required, which prohibits tailored conditions for specific suppliers, or restriction and exclusion of suppliers with unreasonable conditions to ensure fair competition for projects. We set strict criteria for the judgment of related relationships to further prevent the collusion bidding of related suppliers.

- We strictly implemented supplier review. We strengthened the review on the connections of bidding suppliers by relying on national authoritative information channels, and introducing third-party investigation tools to ensure that the review is comprehensive and accurate. We attached more importance to the application of scientific and technological means to realize the one-click screening of multiple related scenarios. We strictly implemented systems related to the management of related party transactions to prevent risks of transferring benefits. We conducted due diligence on outsourcing suppliers to prevent outsourcing risks.

- We made in-depth supervision and inspection over suppliers. We carried out supplier supervision in an all-round manner such as casual inspection on performance quality, risk monitoring through big data, with and regular interviews, and promptly issued risk warning to suppliers with underlying problems and tracked their rectification. We dealt with suppliers' bad behaviors according to law and regulations, strengthened communication and linkage with audit and supervision departments, banned suppliers that had committed collusion, bribery or conveyance of other improper benefits, and made the list of banned suppliers public.

Please refer to the "Corporate Governance Report" for information on the Bank's corporate governance. For details of the Bank's corporate social responsibility, please refer to the Bank's *Social Responsibility Report* (*Environmental, Social and Governance Report*) *2023* published separately. For details of the Bank's green finance, please refer to the Bank's *Green Finance Development (Environmental Information Disclosure) Report 2023* published separately.

The QR code of our *Social Responsibility Report (Environmental, Social and Governance Report) 2023* sets below:

Corporate Governance Report

Shareholding Structure

Particulars of Ordinary Shares

Details of Changes in Share Capital

Unit: Share

	31 December 2022		Increase/decrease during the reporting period (+, –)			31 December 2023	
	Number of Shares	Percentage[4] (%)	New Shares Issued	Others	Sub-total	Number of Shares	Percentage[4] (%)
I. Shares held subject to restrictions on sales[2]	**19,959,672,543**	**5.70**	**–**	**–19,959,672,543**	**–19,959,672,543**	**–**	**–**
1. State-owned[3]	19,959,672,543	5.70	–	–19,959,672,543	–19,959,672,543	–	–
II. Shares held not subject to restrictions on sales	**330,023,361,330**	**94.30**	**–**	**+19,959,672,543**	**+19,959,672,543**	**349,983,033,873**	**100.00**
1. RMB-denominated ordinary shares	299,284,538,234	85.51	–	+19,959,672,543	+19,959,672,543	319,244,210,777	91.22
2. Foreign-invested shares listed overseas[3]	30,738,823,096	8.78	–	–	–	30,738,823,096	8.78
III. Total number of shares	**349,983,033,873**	**100.00**	**–**	**–**	**–**	**349,983,033,873**	**100.00**

Notes:

1. *Information in the table above was based on the share registration recorded in Shanghai Branch of China Securities Depository and Clearing Corporation Limited and Computershare Hong Kong Investor Services Limited.*
2. *"Shares held subject to restrictions on sales" refers to the shares held by shareholders who are subject to restrictions on sales in accordance with laws, regulations, rules or commitments.*
3. *"State-owned" in this table refers to the shares held by the MOF and Huijin. "Foreign-invested shares listed overseas" refer to the H shares as defined in the No. 5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Report of Change in Shareholding (Revision 2022) of the CSRC.*
4. *Rounding errors may arise in the "Percentage" column of the table above as the figures are rounded to the nearest decimal number.*

Particulars of shareholdings of the top 10 shareholders of the Bank *Unit: Share*

Total number of shareholders (31 December 2023)	**432,070**	(as set out in the registers of holders of A Shares and H Shares), including 411,529 holders of A Shares and 20,541 holders of H Shares.
Total number of shareholders (29 February 2024)	**413,311**	(as set out in the registers of holders of A Shares and H Shares), including 392,864 holders of A Shares and 20,447 holders of H Shares.

Particulars of shareholdings of the top 10 shareholders
(the information below is based on the registers of shareholders as of 31 December 2023)

Name of shareholders	Nature of shareholders	Type of shares	Increase/decrease during the reporting period (+, –)	Shareholding percentage (%)	Total number of shares held	Number of shares held subject to restrictions on sales	Number of shares pledged, marked or locked-up
Huijin	State-owned	A Shares	+401,363,300	40.14	140,488,809,651	–	None
MOF	State-owned	A Shares	–	35.29	123,515,185,240	–	None
HKSCC Nominees Limited	Overseas legal entity	H Shares	+1,271,860	8.72	30,532,387,343	–	Unknown
SSF	State-owned	A Shares	–	6.72	23,520,968,297	–	None
Hong Kong Securities Clearing Company Limited	Overseas legal entity	A Shares	+264,029,830	0.78	2,733,906,000	–	None
China National Tobacco Corporation	State-owned legal entity	A Shares	–	0.72	2,518,891,687	–	None
China Securities Finance Corporation Limited	State-owned legal entity	A Shares	–	0.53	1,842,751,177	–	None
Shanghai Haiyan Investment Management Company Limited	State-owned legal entity	A Shares	–	0.36	1,259,445,843	–	None
Central Huijin Asset Management Ltd.	State-owned legal entity	A Shares	–	0.36	1,255,434,700	–	None
Zhongwei Capital Holding Company Limited	State-owned legal entity	A Shares	–	0.22	755,667,506	–	None

Notes:

1. *The shareholdings of holders of H Shares are based on the number of shares as set out in the register of members of the Bank maintained by its H Share registrar. The total number of shares held by HKSCC Nominees Limited represents the number of H Shares in aggregate held by it as a nominee on behalf of all institutional and individual investors registered with it as of 31 December 2023.*
2. *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 designated by and on behalf of investors from Hong Kong SAR and overseas.*
3. *Among the shareholders listed above, Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin, HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited, and China National Tobacco Corporation is the de facto controller of Shanghai Haiyan Investment Management Company Limited and Zhongwei Capital Holding Company Limited. Save as mentioned above, the Bank is not aware of any connections between the shareholders above, or whether they are parties acting in concert. The number of shares held by Huijin and Central Huijin Asset Management Ltd. amounted to 141,744,244,351 in aggregate, accounting for 40.50% of the total share capital of the Bank. The number of shares held by China National Tobacco Corporation, Shanghai Haiyan Investment Management Company Limited and Zhongwei Capital Holding Company Limited amounted to 4,534,005,036 in aggregate, accounting for 1.30% of the total share capital of the Bank.*

4. *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.*
5. *According to the Private Placement Subscription Agreements, the A Shares subscribed for thereunder by Huijin and MOF under the private placement shall not be transferred within five years commencing from the date of acquisition of equity. As of 3 July 2023, the commitments made by the above-mentioned subscribed shareholders have been duly fulfilled and the underlying shares held subject to restrictions on sales have become listing and tradable in the market. For details, please refer to the relevant announcements published on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk).*
6. *Huijin increased its shareholding in the Bank by 37,272,200 A shares via the trading system of the Shanghai Stock Exchange on 11 October 2023. Huijin intends to continue to increase its shareholding in the Bank under its own name by acquiring shares on the secondary market within the next 6 months commencing from the date of the acquisition. As of 31 December 2023, Huijin has cumulatively increased its shareholding of 401,363,300 A shares of the Bank since the date of the acquisition, accounting for approximately 0.11% of the Bank's total share capital.*
7. *Among the above shareholders, save as the transfer of voting rights of 9,797,058,826 A Shares held by the SSF 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, the Bank is not aware of the existence of the consigned, accepted consignment of, or waived voting rights by other shareholders.*
8. *None of the top 10 shareholders nor the top 10 shareholders not subject to restrictions on sales were engaged in the business of margin trading and securities or refining, among which HKSCC Nominees Limited held the H Shares as a nominee and it was not engaged in the business of margin trading and lending or refining.*
9. *The top 10 shareholders not subject to restrictions on sales of the Bank are the same as the top 10 shareholders.*
10. *The top 10 shareholders are the same as the previous period.*

Particulars of Substantial Shareholders

During the reporting period, the Bank's substantial shareholders and controlling shareholders remained unchanged. The Bank had no *de facto* controller.

Except for MOF, Huijin and SSF, there was no other legal entity shareholder (excluding HKSCC Nominees Limited) who held a shareholding of 5% or above in the Bank as of 31 December 2023.

MOF

The MOF, established in October 1949, is a ministry under the State Council and is empowered to be responsible for macro-economic control and regulation of state finance and taxation policies.

As of 31 December 2023, the MOF held 123,515,185,240 shares of the Bank, representing 35.29% of the total share capital of the Bank.

Huijin

Huijin was established on 16 December 2003 as a wholly state-owned company through state investment in accordance with the *Company Law of the PRC* with a registered capital of RMB828,209 million. The registered address of Huijin is New Poly Plaza, 1 Chaoyangmen Beidajie, Dongcheng District, Beijing. The unified social credit code of Huijin is 911000007109329615 and its legal representative is Mr. PENG Chun. The State Council has authorized Huijin to make equity investments in major state-owned financial institutions. 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 of 31 December 2023, Huijin held 140,488,809,651 shares of the Bank, representing 40.14% of the total share capital of the Bank.

Huijin issued a non-competition commitment, please see "Significant Events — Commitments" for more details.

As of 31 December 2023, the direct shareholdings of Huijin in its investees were as follows:

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

Notes 1: ★ represents A share listed company; ☆ represents H share listed company.

2: Apart from the above investees, Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin. Central Huijin Asset Management Ltd. was established and incorporated in Beijing in November 2015 with a registered capital of RMB5.0 billion. It is engaged in asset management business.

SSF

The SSF, a public institution managed by the MOF, was founded in August 2000. Its registered address is South Tower, Fortune Time Plaza, No. 11 Fenghui Garden, Xicheng District, Beijing and its legal representative is LIU Wei. With the approval of the State Council and in accordance with the requirements by the MOF and the Ministry of Human Resources and Social Security, the SSF is entrusted to manage the following funds: the national social security fund, the central subsidy funds for individual accounts, part of the basic endowment insurance funds for enterprise employees, the basic endowment insurance fund and part of the transferred state-owned capital.

As of 31 December 2023, the SSF held 23,520,968,297 shares of the Bank, representing 6.72% of the total share capital of the Bank.

Interests and Short Positions Held by Substantial Shareholders and Other Persons[1] *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	1,255,434,700 (A Shares)	Long position	0.39	0.36
MOF	Beneficial owner/nominee[2]	133,312,244,066 (A Shares)[3]	Long position	41.76	38.09
SSF	Beneficial owner	23,520,968,297 (A Shares)	Long position	7.37	6.72
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	1,847,548,688 (H Shares)[5]	Long position	6.01	0.53
		136,876,000 (H Shares)	Short position	0.45	0.04
China Taiping Insurance Holdings Company Limited	Interest of controlled entity	1,545,179,000 (H Shares)[6]	Long position	5.03	0.44
China Taiping Insurance Group Ltd.	Interest of controlled entity	1,545,179,000 (H Shares)[6]	Long position	5.03	0.44
Taiping Life Insurance Co., Ltd.	Beneficial owner	1,545,179,000 (H Shares)[6]	Long position	5.03	0.44
Taiping Asset Management Co., Ltd.	Investment manager	1,543,690,000 (H Shares)	Long position	5.02	0.44
	Interest of controlled entity	1,489,000 (H Shares)[7]	Long position	0.00	0.00

Notes:

1. *As of 31 December 2023, the Bank received notifications from the above persons regarding their interests or short positions in the shares and underlying shares of the Bank. Such interests or short positions were recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong.*
2. *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.*
3. *According to the register of members of the Bank as of 31 December 2023, 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.*
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 wholly-owned subsidiaries of Qatar Investment Authority.*
5. *BlackRock, Inc. is deemed to be interested in 1,847,548,688 H Shares in aggregate, directly or indirectly held by BlackRock Investment Management, LLC and BlackRock Financial Management, Inc., both of which are wholly-owned subsidiaries of BlackRock, Inc.*
6. *China Taiping Insurance Group Ltd. and its non-wholly owned subsidiary, China Taiping Insurance Holdings Company Limited are deemed to be interested in 1,545,179,000 H Shares directly held by Taiping Life Insurance Co., Ltd., which is the controlled entity of China Taiping Insurance Group Ltd. and China Taiping Insurance Holdings Company Limited.*
7. *Taiping Asset Management Co., Ltd. is deemed to be interested in 1,489,000 H Shares directly held by Taiping Fund Management Co., Ltd., which is the controlled entity of Taiping Asset Management Co., Ltd., and such number of shares represents approximately 0.0048% of the issued class shares.*

The Dividends Distribution Policy and Implementation of the Cash Dividend Policy

We make profit distribution with a focus on providing reasonable return on investments by the investors, and maintaining continuity and consistency of the profit distribution policy, as well as having interests of all shareholders as a whole and our sustainable development. We may make dividends distribution in cash or shares or by a combination of both. Our profit distribution prioritizes cash dividend distribution. We may also make interim profit distribution when we meet the conditions to do so.

The formulation and implementation of our cash dividend policy comply with our Articles of Association and the resolutions of the shareholders' general meetings. The relevant decision-making procedure and mechanism are complete, and the distribution standards and proportion are clearly stated. Independent Non-executive Directors have diligently fulfilled their duties, made their due efforts and expressed their opinions. The minority shareholders have opportunities to fully express their opinions and requests, and their legitimate rights and interests have been adequately protected.

Profits and Dividends Distribution

Our profit for the year ended 31 December 2023 is set out in "Discussion and Analysis — Financial Statement Analysis".

Upon approval at the 2022 Annual General Meeting, we distributed cash dividend of RMB0.2222 (tax inclusive) per ordinary shares, with a total amount of RMB77,766 million (tax inclusive), to shareholders of ordinary shares on our registers of members after close of the market on 17 July 2023.

The Board of Directors proposed distribution of cash dividends of RMB2.309 (tax inclusive) for each ten shares of 349,983,033,873 ordinary shares for 2023 with a total amount of approximately RMB80,811 million (tax inclusive). The distribution plan will be submitted for approval at the 2023 Annual General Meeting. Once approved, the above-mentioned dividends will be paid to the holders of A Shares and H Shares, whose names appear on our registers of members on 6 June 2024. The register of transfers of H Shares will be closed from 1 June 2024 to 6 June 2024 (both days inclusive). In order to qualify for the proposed distribution of cash dividends, holders of H Shares are required to deposit the transfer documents together with the relevant share certificates at our H Share registrar, Computershare Hong Kong Investor Services Limited located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at or before 4:30 p.m. on 31 May 2024. Dividends of A Shares are expected to be paid on 7 June 2024 and dividends of H Shares are expected to be paid before or on 28 June 2024. A separate announcement will be published if there is any change to the aforesaid dates.

The table below sets out our cash dividend payment for the preceding three years.

In millions of RMB, except for percentages

	2022	2021	2020
Cash dividend (tax inclusive)	77,766	72,376	64,782
Cash dividend payment ratio[1](%)	30.0	30.0	30.0

Note: 1. Representing cash dividend (tax inclusive) divided by the net profit attributable to equity holders of the Bank for the reporting period.

Pursuant to the *Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045* (Guo Shui Han [2011] No. 348), individuals who are resident outside the mainland and who hold shares issued in Hong Kong SAR by domestic non-foreign invested enterprises enjoy relevant preferential tax rate in accordance with the tax conventions between PRC and the country where the residents reside and the tax arrangements between the Chinese mainland and Hong Kong (Macao). Individual shareholders will be generally subject to a withholding individual income tax at the rate of 10% when domestic non-foreign invested enterprises which issue shares in Hong Kong distribute dividends to their shareholders, unless otherwise required by the regulations of relevant tax laws and tax conventions.

Pursuant to the *Notice on the Issues Concerning Withholding the Enterprises Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises* (Guo Shui Han [2008] No. 897) of the State Taxation Administration, we are obliged to withhold and pay enterprise income tax at the rate of 10% from dividends paid or payable for H Shares when distributing dividends to overseas non-resident enterprise shareholders of H Shares.

No tax is payable in Hong Kong in respect of dividends paid by us according to the current practice of the Hong Kong Inland Revenue Department.

Shareholders are recommended to consult their tax advisers regarding the tax implication in Chinese mainland, Hong Kong SAR and other tax implications arising from their holding and disposal of H Shares of the Bank.

Particulars of Preference Shares

Issuance and Listing of Preference Shares

Code	Abbreviation	Issuance date	Issuance price (in RMB)	Coupon rate	Number of preference shares issued	Listing date	Number of preference shares approved to be listed	Transfer deadline	Proceeds raised (in RMB)	Use of proceeds
360001	農行優1	2014/10/31	100 per share	5.32%	400 million shares	2014/11/28	400 million shares	None	40.0 billion	Replenish the additional Tier 1 capital
360009	農行優2	2015/3/6	100 per share	4.84%	400 million shares	2015/3/27	400 million shares	None	40.0 billion	Replenish the additional Tier 1 capital

Notes: 1. *For the terms and relevant details of the issuance of the preference shares above, please refer to the announcements published by the Bank on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Bank.*

2. *The coupon rate of "農行優1" in the second dividend period is 5.32% since 5 November 2019; the coupon rate of "農行優2" in the second dividend period is 4.84% since 11 March 2020.*

Particulars of Shareholding of the Top 10 Holders of Preference Shares "農行優1" (360001)

Unit: Share

As of the end of the reporting period, the Bank had a total of 40 holders[1] of preference shares "農行優1".

As of 29 February 2024 (being the last day of the month preceding the month in which the Bank's A Share annual report is published), the Bank had a total of 40 holders of preference shares "農行優1".

Name of shareholders[1]	Nature of shareholders[2]	Type of shares	Increase/decrease during the reporting period[3] (+, –)	Number of preference shares held	Shareholding percentage[4] (%)	Number of shares pledged, marked or locked-up
China Merchants Fund Management Co., Ltd.	Others	Domestic preference shares	–	49,000,000	12.25	None
Sun Life Everbright Asset Management Co., Ltd.	Others	Domestic preference shares	+19,385,000	44,495,000	11.12	None
Bank of Communications Schroder Fund Management Co., Ltd.	Others	Domestic preference shares	–30,400,000	36,600,000	9.15	None
PICC Life Insurance Company Limited	Others	Domestic preference shares	–	30,000,000	7.50	None
Ping An Life Insurance Company of China, Ltd.	Others	Domestic preference shares	–	30,000,000	7.50	None
CITIC-Prudential Life Insurance Company Limited	Others	Domestic preference shares	–	29,760,000	7.44	None
New China Life Insurance Company Ltd.	Others	Domestic preference shares	+25,000,000	25,000,000	6.25	None
Shanghai Everbright Securities Asset Management Co., Ltd.	Others	Domestic preference shares	–	20,000,000	5.00	None
BNB Wealth Management Co., Ltd.	Others	Domestic preference shares	–11,585,000	13,305,000	3.33	None
SDIC Taikang Trust Co., Ltd.	Others	Domestic preference shares	+12,000,000	12,000,000	3.00	None

Notes:

1. *Huijin is the controlling shareholder of New China Life Insurance Company Ltd. Save as mentioned above, the Bank is not aware of any other connections between the above holders of preference shares, and between the above holders of preference shares and the top 10 holders of ordinary shares, or whether they are parties acting in concert.*
2. *According to the No. 2 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Annual Report (Revision 2021), "Particulars of holders of preference shares should indicate the entities which hold shares on behalf of the states and foreign holders". Except for the entities which hold shares on behalf of the states and foreign holders, the nature of other holders of preference shares is categorized as "others".*
3. *"Increase/decrease during the reporting period" refers to the change of shareholding due to secondary market transactions.*
4. *"Shareholding percentage" refers to the percentage of "農行優1" held by the holders of preference shares to the total number of "農行優1" (i.e. 400 million shares).*
5. *The preference shares "農行優1" of the Bank are shares not subject to restrictions on sale, and the top 10 holders of preference shares "農行優1" who are not subject to restrictions on sales are the same as the top 10 holders of preference shares.*

[1] *The number of the holders of preference shares was calculated by the number of qualified investors that hold the preference shares. When calculating the number of qualified investors, an asset management institution that subscribes or purchases the preference shares through two or more products under its control will be counted as one.*

Particulars of Shareholding of the Top 10 Holders of Preference Shares "農行優2" (360009) *Unit: Share*

As of the end of the reporting period, the Bank had a total of 38 holders of preference shares "農行優2".

As of 29 February 2024 (being the last day of the month preceding the month in which the Bank's A Share annual report is published), the Bank had a total of 40 holders of preference shares "農行優2".

Name of shareholders[1]	Nature of shareholders[2]	Type of shares	Increase/decrease during the reporting period[3] (+, –)	Number of preference shares held	Shareholding percentage[4] (%)	Number of shares pledged, marked or locked-up
China National Tobacco Corporation	Others	Domestic preference shares	–	50,000,000	12.50	None
China Life Insurance Company Limited	Others	Domestic preference shares	–	50,000,000	12.50	None
New China Life Insurance Company Ltd.	Others	Domestic preference shares	+24,000,000	29,000,000	7.25	None
Bank of China Limited, Shanghai Branch	Others	Domestic preference shares	–	20,000,000	5.00	None
China Mobile Communications Group Co., Ltd.	Others	Domestic preference shares	–	20,000,000	5.00	None
China National Tobacco Corporation Yunnan Province Company	Others	Domestic preference shares	–	20,000,000	5.00	None
China National Tobacco Corporation Jiangsu Province Company (Jiangsu Tobacco Company)	Others	Domestic preference shares	–	20,000,000	5.00	None
Sun Life Everbright Asset Management Co., Ltd.	Others	Domestic preference shares	+13,501,000	18,806,000	4.70	None
Shanghai Tobacco Group Co., Ltd.	Others	Domestic preference shares	–	15,700,000	3.93	None
Ping An Property & Casualty Insurance Company of China, Ltd.	Others	Domestic preference shares	–	15,000,000	3.75	None

Notes:

1. *Huijin is the controlling shareholder of New China Life Insurance Company Ltd., China National Tobacco Corporation Jiangsu Province Company (Jiangsu Tobacco Company), China National Tobacco Corporation Yunnan Province Company and Shanghai Tobacco Group Co., Ltd. are the wholly-owned subsidiaries of China National Tobacco Corporation. China National Tobacco Corporation is the de facto controller of Shanghai Haiyan Investment Management Company Limited and Zhongwei Capital Holding Company Limited. Ping An Property & Casualty Insurance Company of China, Ltd. and Ping An Life Insurance Company of China, Ltd. are both controlled by Ping An Insurance (Group) Company of China. Save as mentioned above, the Bank is not aware of any connections between the above holders of preference shares, and between the above holders of preference shares and the top 10 shareholders of ordinary shares, or whether they are parties acting in concert.*
2. *According to the No. 2 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Annual Report (Revision 2021), "Particulars of holders of preference shares should indicate the entities which hold shares on behalf of the states and foreign holders". Except for the entities which hold shares on behalf of the states and foreign holders, the nature of other holders of preference shares is categorized as "others".*
3. *"Increase/decrease during the reporting period" refers to the change of shareholding due to secondary market transactions.*
4. *"Shareholding percentage" refers to the percentage of "農行優2" held by the holders of preference shares to the total number of "農行優2" (i.e. 400 million shares).*
5. *The preference shares "農行優2" of the Bank are shares not subject to restrictions on sale, and the top 10 holders of preference shares "農行優2" who are not subject to restrictions on sales are the same as the top 10 holders of preference shares.*

Dividends Distribution of Preference Shares

Dividends of our preference shares are paid in cash annually. When we resolve to cancel part or all of the dividends to holders of preference shares, such undistributed dividends of current period shall not be accumulated to subsequent dividend periods. The holders of our preference shares, upon receiving dividends at the agreed rate, shall not participate in the distribution of the remaining profit attributable to the holders of ordinary shares.

Stock abbreviation	Distribution date	Registration date	Distribution method	Coupon rate	Dividend per share (tax included)	Total dividend (tax included)
農行優2 (360009)	13 March 2023	10 March 2023	Cash dividend	4.84%	RMB4.84	RMB1.936 billion
農行優1 (360001)	6 November 2023	3 November 2023	Cash dividend	5.32%	RMB5.32	RMB2.128 billion
農行優2 (360009)	11 March 2024	8 March 2024	Cash dividend	4.84%	RMB4.84	RMB1.936 billion

For details of the distribution of dividends above, please refer to the announcements published by the Bank on the websites of the Shanghai Stock Exchange and the Bank.

Redemption or Conversion of Preference Shares

During the reporting period, there was no redemption or conversion of the preference shares issued by the Bank.

Restoration of Voting Rights of Preference Shares

During the reporting period, there was no restoration of voting rights of the preference shares issued by the Bank.

Accounting Policies of Preference Shares

In accordance with the *Accounting Standards for Enterprises No. 22 — Recognition and Measurement of Financial Instruments,* the *Accounting Standards for Enterprises No. 37 — Presentation of Financial Instruments* issued by the MOF, as well as the *International Financial Reporting Standard 9 — Financial Instruments* and the *International Accounting Standard 32 — Financial Instruments: Presentation* issued by the International Accounting Standards Board, we are of the view that the terms of preference shares "農行優1" and "農行優2" can be accounted for as equity instruments.

Details of Issuance and Listing of Securities

Issuance of Securities

For issuance of other securities of the Bank during the reporting period, please refer to "Note IV. 30 Debt securities issued to the Consolidated Financial Statements" for details.

Employee Shares

The Bank had no employee shares.

Shareholders' Rights

Convening of Extraordinary General Meetings

We protect shareholders' rights strictly in compliance with the regulatory requirements and related corporate governance rules. Shareholders who individually or jointly hold more than 10% of the total voting shares of the Bank (the "Requesting Shareholders") may request the Board of Directors to convene an extraordinary general meeting, and submit proposals to the Board of Directors in writing. If the Board of Directors refuses to convene an extraordinary general meeting or fails to give its responses within 10 days upon receipt of the proposal, the Requesting Shareholders may request the Board of Supervisors to convene an extraordinary general meeting and propose to the Board of Supervisors in writing. If the Board of Supervisors fails to give the notice of such extraordinary general meeting within the prescribed period, which shall be deemed to have failed to convene and preside over such meeting, shareholders who individually or jointly hold 10% or more of the total voting shares of the Bank for not less than 90 consecutive days shall be entitled to convene and preside over an extraordinary general meeting by themselves.

Enquiries

Shareholders may have the right of enquiry and have the right to obtain the relevant information pursuant to the Articles of Association. Shareholders may consult copies of minutes of the shareholders' general meetings free of charge during the business hours of the Bank. If any shareholder requests to obtain from the Bank a copy of the relevant minutes of the shareholders' general meetings, the Bank shall send such copy within seven days after the receipt of the reasonable fees. Shareholders who request to consult or obtain the relevant information shall provide us with written documents evidencing the class and number of shares held by them, and we shall provide such information so requested upon verification of such shareholders' identities. The Office of the Board of Directors is responsible for aiding the Board of Directors in its daily affairs. If shareholders have any enquiries, please contact the Office of the Board of Directors.

Proposals to the Shareholders' General Meetings

Shareholders who individually or jointly hold more than 3% of the total voting shares of the Bank (the "Proposing Shareholders") may submit proposals when we convene Shareholders' general meetings. Proposing Shareholders shall submit provisional proposals to the Board of Directors in writing 10 days prior to the date of shareholders' general meetings. The Office of the Board of Directors is responsible for organizing shareholders' general meetings, preparing documents, taking minutes of the meetings, and so on.

Special Regulations of Holders of Preference Shares

The holders of preference shares are entitled to voting rights in the event of the circumstances outlined below happen to the Bank: (1) any amendments to the provisions regarding preference shares in the Articles of Association; (2) any decrease or series of decreases representing in aggregate more than 10% of the registered capital of the Bank; (3) any merger, division, dissolution or change in corporate form of the Bank; (4) any issuance of preference shares by the Bank; (5) any other circumstances specified by laws, administrative regulations and the Articles of Association of the Bank.

Upon the occurrence of any of the circumstances above, holders of preference shares shall have the right to attend shareholders' general meetings and the Bank shall provide online voting. The notice of such meetings shall be delivered to holders of preference shares following notice procedures for holders of ordinary shares set forth in the Articles of Association.

When the Bank fails to pay dividends on preference shares for accumulated three financial years or for two consecutive financial years, holders of preference shares shall have the right to attend the shareholders' general meetings and vote with holders of ordinary shares jointly, starting from the day following the date on which the shareholders' general meeting resolves to not distribute dividends on preference shares as agreed in the profit distribution plan of that year. The voting rights shall be restored until the date on which all dividends for such preference shares of that year are distributed.

Protection of Minority Shareholders' Interests

The Implementation of One-share-one-vote

The Bank strictly implemented the one-share-one-vote among shareholders. The shares of the Bank shall be issued following the principles of fairness and justice, and each share in the same class has the same rights. For the same class of shares issued at the same time, each share shall be issued on the same conditions and at the same price. All entities or individuals subscribing for the shares shall pay the same price for each share. A shareholder shall enjoy rights and assume obligations according to *Company Law* and other laws and regulations, regulatory requirements and the Bank's Articles of Association, as well as the class and amount of shares held. Shareholders who hold shares of the same class shall have the same rights, including (1) to receive dividends and other kinds of distribution of interests based on the number of shares held by them; (2) to attend or appoint a proxy to attend the shareholders' general meetings, and to exercise voting rights based on the number of shares held by them, etc.

Communication Channel

Shareholders' general meetings of the Bank are held in the form of on-site meetings. Minority shareholders have the right to attend or appoint a proxy to attend the shareholders' general meetings of the Bank, and to exercise voting rights based on the number of shares held by them by way of on-site voting or online voting.

According to the requirements of the Articles of Association, minority shareholders have the right to obtain relevant information of the Bank, including: status of the share capital of the Bank, minutes of the shareholders' general meetings; the published financial and accounting reports, interim reports and annual reports of the Bank, etc.

Pursuant to the Articles of Association of the Bank, when the shareholders' general meeting considers material issues affecting the interests of minority investors, votes of minority investors shall be counted separately. The results of the separate vote count shall be publicly disclosed in a timely manner.

During the reporting period, when the shareholders' general meeting of the Bank considered material issues such as the election of Directors, the profit distribution plan for 2022, the 2022 remuneration of the Directors, and the appointment of an accounting firm for 2023, the votes of A share shareholders holding less than 5% of the Bank's voting shares were counted separately and the results of the count were publicly disclosed in a timely manner.

For the Bank's information disclosure and investor relations management, please refer to "Corporate Governance Report — Communication with Stakeholders — Communication with Shareholders".

Returns to Shareholders

For details of dividends distribution on ordinary shares, please refer to "Corporate Governance Report — Shareholding Structure — Particulars of Ordinary Shares". For details of dividends distribution on preference shares, please refer to "Corporate Governance Report — Shareholding Structure — Particulars of Preference Shares".

Role of Independent Non-executive Directors

Article 153 of the Articles of Association provides that Independent Non-executive Directors shall provide objective, fair and independent opinions on the matters, such as material related party transactions, profit distribution plans and modification of profit distribution policy, nomination and appointment and removal of directors, appointment and removal of senior management members, remuneration of directors and senior management, and appointment of external auditors.

In 2023, Independent Non-executive Directors of the Bank provided objective, fair and independent opinions on the proposals including the profit distribution plan for 2022, the 2022 remuneration of the Directors, the 2022 remuneration of the senior management members and nomination of candidates for Directors. Independent Non-executive Directors of the Bank were of the view that the content of these proposals and the consideration procedures were in compliance with the requirements of the relevant laws, regulations and the Articles of Association of the Bank, and there was no circumstance that would harm the interests of the Bank and all shareholders, especially the legitimate interests of minority shareholders.

Directors, Supervisors and Senior Management

Basic Information

Name	Position	Gender	Year of Birth	Tenure
Incumbent Directors				
GU Shu	Chairman of the Board of Directors, Executive Director	Male	1967	2021.01–2027.01
ZHANG Xuguang	Executive Director,Executive Vice President	Male	1964	2020.10–2026.10
LIN Li	Executive Director,Executive Vice President	Male	1968	2021.06–2024.06
ZHOU Ji	Non-executive Director	Female	1972	2021.03–2027.01
LI Wei	Non-executive Director	Male	1966	2019.05–2025.06
LIU Xiaopeng	Non-executive Director	Male	1975	2022.01–2025.01
XIAO Xiang	Non-executive Director	Male	1966	2022.01–2025.01
ZHANG Qi	Non-executive Director	Male	1972	2022.12–2025.12
HUANG Zhenzhong	Independent Non-executive Director	Male	1964	2017.09–present
LEUNG KO May Yee, Margaret	Independent Non-executive Director	Female	1952	2019.07–2025.06
LIU Shouying	Independent Non-executive Director	Male	1964	2019.07–2025.06
WU Liansheng	Independent Non-executive Director	Male	1970	2021.11–2024.11
WANG Changyun	Independent Non-executive Director	Male	1964	2022.12–2025.12
Incumbent Supervisors				
DENG Lijuan	Supervisor Representing Shareholders	Female	1975	2022.06–2025.06
HUANG Tao	Supervisor Representing Employees	Male	1966	2021.07–2024.07
WANG Xuejun	Supervisor Representing Employees	Male	1972	2022.05–2025.05
LIU Hongxia	External Supervisor	Female	1963	2018.11–2024.11
XU Xianglin	External Supervisor	Male	1957	2021.11–2024.11
WANG Xixin	External Supervisor	Male	1968	2021.11–2024.11
Incumbent Senior Management				
ZHANG Xuguang	Executive Director, Executive Vice President	Male	1964	2019.12–
LIN Li	Executive Director, Executive Vice President	Male	1968	2021.03–
XU Han	Executive Vice President	Male	1965	2020.10–
LIU Jiawang	Executive Vice President	Male	1975	2022.11–
LIU Hong	Executive Vice President	Male	1968	2023.08–
WU Gang	Chief Risk Officer	Male	1965	2023.06–
Former Directors, Supervisors and Senior Management				
FU Wanjun	Former Vice Chairman of the Board of Directors, Executive Director, President	Male	1968	2023.01–2023.12
LIAO Luming	Former Non-executive Director	Male	1963	2017.08–2023.09
WANG Jingdong	Former Chairman of the Board of Supervisors, Supervisor Representing Shareholders	Male	1962	2018.11–2023.02
WU Gang	Former Supervisor Representing Employees	Male	1965	2019.10–2023.04
ZHANG Yi	Former Executive Vice President	Male	1971	2021.11–2023.03
LI Zhicheng	Former Chief Risk Officer	Male	1963	2017.02–2023.02
HAN Guoqiang	Former Secretary to the Board of Directors	Male	1967	2020.11–2023.12

Notes: 1. *Mr. GU Shu has served as the Chairman of the Bank's Board of Directors since February 2021. His term of office as a Director is set out in the table above.*

2. *Please refer to "Changes in Directors, Supervisors and Senior Management" in this section for information relating to the changes in the Directors, Supervisors and Senior Management of the Bank.*

Biography of Directors, Supervisors and Senior Management

Biography of Directors

GU Shu   Chairman of the Board of Directors, Executive Director

Mr. GU Shu holds a doctor's degree in Economics from Shanghai University of Finance and Economics and is a senior accountant. He was appointed as an Executive Director of the Bank in January 2021 and has served as 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 secretary to the board of directors 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 was appointed 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.

ZHANG Xuguang   Executive Director, Executive Vice President

Mr. ZHANG Xuguang received a master's degree in law from Peking University and a master's degree in law from Minnesota State University in the United States, and is a senior economist. He was appointed as an Executive Vice President of the Bank in December 2019 and has served as an Executive Director and an Executive Vice President since October 2020. Mr. ZHANG previously worked in China National Aero-Technology Import & Export Corporation. In addition, Mr. ZHANG previously served as the executive vice president of Tianjin Branch and the deputy general director of the Executive Office, and the president of the Guangxi Zhuang Autonomous Region Branch of China Development Bank. Mr. ZHANG also served as the president of China Development Bank Capital Co., Ltd. and the investment director of China Development Bank. In December 2013, he was appointed as an executive vice president of China Development Bank. Mr. ZHANG concurrently serves as the vice president of Research Association of Ideological and Political Work of China Financial Institutions.

LIN Li   Executive Director, Executive Vice President

Mr. LIN Li holds a doctor's degree in Economics and is a senior economist. Mr. LIN was appointed as an Executive Vice President of the Bank in March 2021 and has served as an Executive Director and an Executive Vice President of the Bank since June 2021. 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) 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. Mr. LIN was appointed as the vice president of Agricultural Development Bank of China in January 2014, and was appointed as an executive director and the vice president of Agricultural Development Bank of China in February 2018. He concurrently serves as chairman of the board of supervisors of the Payment & Clearing Association of China and a director of China UnionPay.

ZHOU Ji Non-executive Director

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. 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 State Administration of Foreign Exchange (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.

LI Wei Non-executive Director

Mr. LI Wei graduated from Zhejiang University of Finance and Economics with a bachelor's degree in finance and is a senior accountant. Mr. LI currently works with Central Huijin Investment Ltd., and has served as a Non-executive Director of the Bank since May 2019. Mr. LI 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.

LIU Xiaopeng Non-executive Director

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., the chief strategic operating officer of Gome Holding Group Co., Ltd. and a non-executive director of China Reinsurance (Group) Corporation. He concurrently serves as a visiting professor of Nankai University.

XIAO Xiang   Non-executive Director

Mr. XIAO Xiang is a postgraduate from Sichuan Institute of Business Administration specialising in business administration. He currently works with Central Huijin Investment Ltd., and has served as a Non-executive Director of the Bank since January 2022. He previously served as a deputy director of the Office, a deputy director of the Business Division I (person-in-charge) and an assistant commissioner of the Office of the Finance Discipline Inspection Commissioners of the Ministry of Finance in Sichuan. He served as a deputy inspection commissioner of the Office of the Finance Discipline Inspection Commissioners of the Ministry of Finance in Fujian, an inspection commissioner of the Office of the Finance Discipline Inspection Commissioners of the Ministry of Finance in Hunan and a director general of Hunan Regulatory Bureau of the Ministry of Finance.

ZHANG Qi   Non-executive Director

Mr. ZHANG Qi 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 the deputy director and director of the Minister's Office under the General Office of 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.

HUANG Zhenzhong   Independent Non-executive Director

Mr. HUANG Zhenzhong holds a doctor's degree in law. Mr. HUANG is currently a professor and a supervisor for Ph.D. candidates of the School of Law in Beijing Normal University, and a deputy director of Chinese Entrepreneurs Crime Prevention Research Center. He has served as an Independent Non-executive Director of the Bank since September 2017. He previously served as a vice director and a senior economist of the Enterprise Reform Division at the Asset Management Department of Sinopec Group, a deputy head of School of Law and a director of the Legal Counsel Office in School of Law of Beijing Normal University, and a deputy chief prosecutor, a member of the Committee of Inspection of the Procuratorate of Tibet Autonomous Region and an independent director of Ciwen Media Co., Ltd., Yunnan Jinggu Forestry Co., Ltd., Beijing Leadman Biochemistry Co., Ltd., Sinopec Oilfield Equipment Corporation and CECEP Solar Energy Technology Co., Ltd. He is concurrently an executive director of the Energy Law Research Committee of China Law Society, an arbitrator of China International Economic and Trade Arbitration Commission, a panel mediator with the Mediation Center of China Chamber of International Commerce, an arbitrator of Tianjin Arbitration Commission, an arbitrator of Hainan Arbitration Commission, a lifetime honorary director of Beijing Jingshi Law Firm, a member of the Chartered Institute of Arbitrators, and an independent director of Beijing Qilin Hesheng Network Technology Co., Ltd. and UTour Group Co., Ltd.

LEUNG KO May Yee, Margaret Independent Non-executive Director

Ms. LEUNG KO May Yee, Margaret, holds a bachelor's degree in Economics, Accounting and Business Administration from the University of Hong Kong. She was awarded Silver Bauhinia Star and Justice of the Peace by the HKSAR. She has served as an Independent Non-executive Director of the Bank since July 2019. She previously served as a vice chairman and the chief executive of Chong Hing Bank Limited, a vice chairman and the chief executive of Hang Seng Bank Limited, the general manager and global cohead of Industrial and Commercial Business of HSBC Group, a director of HSBC, and a director of Wells Fargo HSBC Trade Bank; she was an independent non-executive director of China Construction Bank, Hong Kong Exchanges and Clearing Limited, Li & Fung Limited, QBE Insurance Group Limited (listed on the Australian Securities Exchange), etc. She currently serves as an independent non-executive director of First Pacific Company Limited, Sun Hung Kai Properties Limited and China Mobile Limited, and a member of the Executive Council of the Hong Kong Special Administrative Region and the president of HKSAR Advisory Committee on Arts Development.

LIU Shouying Independent Non-executive Director

Mr. LIU Shouying serves as a second-level professor and supervisor for Ph.D. candidates in School of Economics, Renmin University of China, the director of All China Federation of Supply and Marketing Cooperatives, vice president of the Chinese Association of Agro-Technical Economics, and executive director of the China Land Science Society. He has served as an Independent Non-executive Director of the Bank since July 2019. He previously served as a deputy secretary-general of the Academic Committee of the Development Research Center of the State Council, a deputy minister of the Rural Economic Research Department, a director of the Urban and Rural Coordination Fundamental Area of the Development Research Center of the State Council, and the president and chief editor of China Economic Times.

WU Liansheng Independent Non-executive Director

Mr. WU Liansheng holds a doctor's degree in management and currently serves as the executive deputy director of the Office of Human Resources, the director of the Talent Affairs Office, the associate dean and a chair professor of the Business School 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., BOC International (China) Co., Ltd. and Rightway Holdings Co., Ltd. Mr. WU currently serves as an independent director of Pop Mart International Group Limited.

WANG Changyun Independent Non-executive Director

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 has served as an Independent Non-Executive Director of the Bank since December 2022. He concurrently serves as an independent non-executive director of China Cinda Asset Management Co., Ltd., Hexie Health Insurance Co., Ltd. and Aerospace Science and Technology Finance 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, an independent non-executive director of Bank of China, Beijing Haohua Energy Resource Co., Ltd. and Sunway Co., Ltd.

Biography of Supervisors

DENG Lijuan   Supervisor Representing Shareholders

Ms. DENG Lijuan holds a master's degree in economics from Jilin University and is a senior economist. She has served as a Supervisor Representing Shareholders of the Bank since June 2022. 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 Management Division, the director of the Affiliated Institutions Staff Management Division, the vice general manager of the Human Resources Department and the director of the Office of the Board of Supervisors of the Bank. She has served as the director of the Office of the Board of Directors of the Bank since June 2023.

HUANG Tao   Supervisor Representing Employees

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 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, the general manager of Party Committee Office of the Bank and the Office/Complaint Office of the Bank. He has served as the chairman of the board of directors of ABC-CA Fund Management Co., Ltd. since September 2022.

WANG Xuejun   Supervisor Representing Employees

Mr. WANG Xuejun holds a master's degree 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 branch), the deputy general manager of the Information Management Department and the deputy director of the United Front Work Department/Trade Union Affairs Department of the Bank (person-in-charge). He has served as the director of the Trade Union Affairs Department of the Bank since February 2023.

LIU Hongxia External Supervisor

Ms. LIU Hongxia holds a doctor's degree in management from Central University of Finance and Economics. She has served as an External Supervisor of the Bank since November 2018. Currently, Ms. LIU works as a professor and a supervisor for Ph.D. candidates at the School of Accounting of Central University of Finance and Economics and is entitled to Government Allowance granted by the State Council. 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., Nanjing Tanker Corporation of China Changjiang National Shipping Group Co., Ltd., Cinda Real Estate Co., Ltd., etc. She concurrently serves as an independent director of Joyoung Co., Ltd., Tianyu Digital Technology (Dalian) Group Co., Ltd., and Henan Zhongfu Industrial Co., Ltd.

XU Xianglin External Supervisor

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.

WANG Xixin External Supervisor

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.

Biography of Senior Management

Please see "Biography of Directors" for biographical details of Mr. ZHANG Xuguang and Mr. LIN Li. The biographical details of other members of the senior management are as follows:

XU Han   Executive Vice President

Mr. XU Han holds a master's degree in engineering from Shanghai University of Technology, is a senior engineer and an expert entitled to Government Special Allowance granted by the State Council. Mr. XU has served as an Executive Vice President of the Bank since October 2020. Mr. XU previously served in various positions in Bank of Communications, including the deputy general manager of IT Department of Hong Kong Branch, deputy general manager of Computer Department, vice CEO (CEO for Domestic Business) and CEO of Pacific Credit Card Centre, general manager of Personal Finance Department (Consumer Rights Protection Department), general manager of Personal Finance Department (Consumer Rights Protection Department) and general manager of Network Channel Department, general manager of Personal Finance Department (Consumer Rights Protection Department) and chief executive officer of Internet Centre (Online Centre), and chief business officer (Retail and Private Business Sector) and general manager of Personal Finance Department (Consumer Rights Protection Department).

LIU Jiawang   Executive Vice President

Mr. LIU Jiawang holds a bachelor's degree in economics from Nankai University, is a senior economist and holds a master's degree in economics. He has served as an Executive Vice President of the Bank since November 2022. Mr. Liu previously served as the president of Suzhou Branch, the vice president of Jiangsu Branch and president of Suzhou Branch and the president of Anhui Branch, and the president of Sichuan Branch of the Bank. He concurrently serves as a director of the 3rd executive council of the China Internet Investment Fund.

LIU Hong　Executive Vice President

Mr. LIU Hong holds a master's degree in public administration from Peking University and is a senior economist. He has served as an Executive Vice President of the Bank since August 2023. Mr. Liu previously served in several positions in the Bank, such as the deputy general manager of the Human Resources Dept., 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, the secretary of the Disciplinary Committee of the Head Office, the general manager of the Human Resources Dept./County Area Banking & Inclusive Finance Human Resources Management Centre and the chief officer of County Area Banking Business of the Bank.

WU Gang　Chief Risk Officer

Mr. WU Gang holds a master's degree from Tianjin University specializing in management engineering and is a senior economist. He has been the Chief Risk Officer of the Bank since June 2023. Mr. WU previously served as the assistant to the general manager and the deputy general manager of the Corporate Banking Department of the Bank, the general manager of the Big Client Department/Business Department and concurrently the vice president of the Beijing Branch, the president of the Henan Branch, the general manager of Audit Office of the Head Office and a supervisor of the Bank.

Changes in Directors, Supervisors and Senior Management

Changes in Directors

On 2 December 2022, Mr. FU Wanjun was elected as the Vice Chairman of the Board of Directors of the Bank, which would be effective upon the consideration and approval of his appointment as an Executive Director of the Bank by the shareholders' general meeting and the ratification of his qualifications by the NFRA; on 22 December 2022, Mr. FU Wanjun was elected as an Executive Director of the Bank at the 2022 Second Extraordinary General Meeting of the Bank. The qualifications of Mr. FU Wanjun were ratified by the NFRA on 20 January 2023; on 26 December 2023, Mr. FU Wanjun resigned as the Vice Chairman of the Board, an Executive Director of the Bank due to work adjustment.

On 28 September 2023, Mr. LIAO Luming ceased to serve as a Non-executive Director of the Bank due to the expiry of his term of office.

On 20 October 2023, Mr. ZHANG Xuguang was re-elected as an Executive Director of the Bank at the 2023 First Extraordinary General Meeting of the Bank.

On 30 January 2024, Mr. GU Shu was re-elected as an Executive Director of the Bank at the 2024 First Extraordinary General Meeting of the Bank, Mr. GU Shu retained his previous posts as the Chairman of the Board of Directors of the Bank concurrently.

On 30 January 2024, Ms. ZHOU Ji was re-elected as a Non-executive Director of the Bank at the 2024 First Extraordinary General Meeting of the Bank.

On 31 January 2024, Mr. JU Jiandong was nominated as an Independent Non-executive Director candidate of the Bank by the Board of Directors. His appointment is subject to the consideration and approval by the shareholders' general meeting and the ratification of his qualification by the NFRA.

Changes in Supervisors

On 7 February 2023, Mr. WANG Jingdong resigned as the Chairman of the Board of Supervisors, a Supervisor Representing Shareholders, a member of the Due Diligence Supervision Committee of the Board of Supervisors and a member of the Finance and Internal Control Supervision Committee of the Board of Supervisors of the Bank due to age.

On 25 April 2023, Mr. WU Gang no longer served as a Supervisor Representing Employees of the Bank and a member of the Due Diligence Supervision Committee of the Board of Supervisors of the Bank due to the expiry of his term of office.

Changes in Senior Management

On 2 December 2022, Mr. FU Wanjun was appointed as the President of the Bank by the Board of Directors of the Bank. The qualification of Mr. FU Wanjun was ratified by the NFRA on 20 January 2023. On 26 December 2023, Mr. FU Wanjun resigned as the President of the Bank due to work adjustment.

On 28 February 2023, Mr. LI Zhicheng resigned as the Chief Risk Officer of the Bank due to age.

On 21 March 2023, Mr. ZHANG Yi resigned as an Executive Vice President of the Bank due to work adjustment.

On 28 April 2023, Mr. WU Gang was appointed as the Chief Risk Officer of the Bank by the Board of Directors of the Bank. The qualification of Mr. WU Gang was ratified by the NFRA on 1 June 2023.

On 28 July 2023, Mr. LIU Hong was appointed as an Executive Vice President of the Bank by the Board of Directors of the Bank. The qualification of Mr. LIU Hong was ratified by the NFRA on 21 August 2023.

On 26 December 2023, Mr. HAN Guoqiang resigned as the Secretary to the Board and the Company Secretary of the Bank due to work adjustment.

On 28 March 2024, Ms. LIU Qing was appointed as the Secretary to the Board of Directors and the Company Secretary of the Bank by the Board of Directors of the Bank. Ms. Ng Sau Mei was appointed as the joint Company Secretary of the Bank, whose contact is the Office of the Board of Directors, by the Board of Directors of the Bank. The qualification of Ms. LIU Qing as the Secretary to the Board of Directors of the Bank is subject to the ratification by the NFRA.

Shareholdings of Directors, Supervisors and Senior Management

At the end of the reporting period, none of the Directors, Supervisors or senior management members of the Bank held or traded any share of the Bank. During the reporting period, none of the Directors, Supervisors or senior management members of the Bank held any share option of the Bank, or was granted restricted shares of the Bank.

Remuneration of Directors, Supervisors and Senior Management

Since 1 January 2015, the remuneration of the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors as well as the Executive Vice Presidents of the Bank shall be in line with the relevant state regulations, which the Bank has followed to pay their salaries. The final remuneration of the Directors, Supervisors and senior management members for 2023 is still subject to confirmation and will be disclosed in a further announcement published by the Bank.

The following table sets out the remuneration paid to the Directors, Supervisors and senior management members of the Bank in 2023.

			Remuneration paid in 2023 (Unit: RMB Ten Thousand)				
Name	Position	Tenure	Salaries paid before tax (1)	Social insurance, enterprise annuity and housing fund payable by the Bank (2)	Director's fee/ Supervisor's fee (3)	Total (4)=(1)+(2)+(3)	Whether receiving remuneration from shareholders' unit or other related parties (Y/N)
Incumbent Directors, Supervisors and Senior Management							
GU Shu	Chairman of the Board of Directors, Executive Director	2021.01–2027.01	67.26	22.54	–	89.80	N
ZHANG Xuguang	Executive Director, Executive Vice President	2020.10–2026.10	60.53	21.83	–	82.36	N
LIN Li	Executive Director, Executive Vice President	2021.06–2024.06	60.53	21.83	–	82.36	N
ZHOU Ji	Non-executive Director	2021.03–2027.01	–	–	–	–	Y
LI Wei	Non-executive Director	2019.05–2025.06	–	–	–	–	Y
LIU Xiaopeng	Non-executive Director	2022.01–2025.01	–	–	–	–	Y
XIAO Xiang	Non-executive Director	2022.01–2025.01	–	–	–	–	Y
ZHANG Qi	Non-executive Director	2022.12–2025.12	–	–	–	–	Y
HUANG Zhenzhong	Independent Non-executive Director	2017.09–present	–	–	38.00	38.00	Y
LEUNG KO May Yee, Margaret	Independent Non-executive Director	2019.07–2025.06	–	–	38.00	38.00	Y
LIU Shouying	Independent Non-executive Director	2019.07–2025.06	–	–	38.00	38.00	N
WU Liansheng	Independent Non-executive Director	2021.11–2024.11	–	–	38.00	38.00	Y
WANG Changyun	Independent Non-executive Director	2022.12–2025.12	–	–	36.00	36.00	Y
DENG Lijuan	Supervisor Representing Shareholders	2022.06–2025.06	–	–	–	–	N
HUANG Tao	Supervisor Representing Employees	2021.07–2024.07	–	–	5.00	5.00	N
WANG Xuejun	Supervisor Representing Employees	2022.05–2025.05	–	–	5.00	5.00	N
LIU Hongxia	External Supervisor	2018.11–2024.11	–	–	30.00	30.00	Y
XU Xianglin	External Supervisor	2021.11–2024.11	–	–	33.00	33.00	N
WANG Xixin	External Supervisor	2021.11–2024.11	–	–	28.00	28.00	Y
XU Han	Executive Vice President	2020.10–	60.53	22.77	–	83.30	N
LIU Jiawang	Executive Vice President	2022.11–	60.53	21.83	–	82.36	N
LIU Hong	Executive Vice President	2023.08–	25.22	9.33	–	34.55	N
WU Gang	Chief Risk Officer	2023.06–	51.58	15.85	–	67.43	N

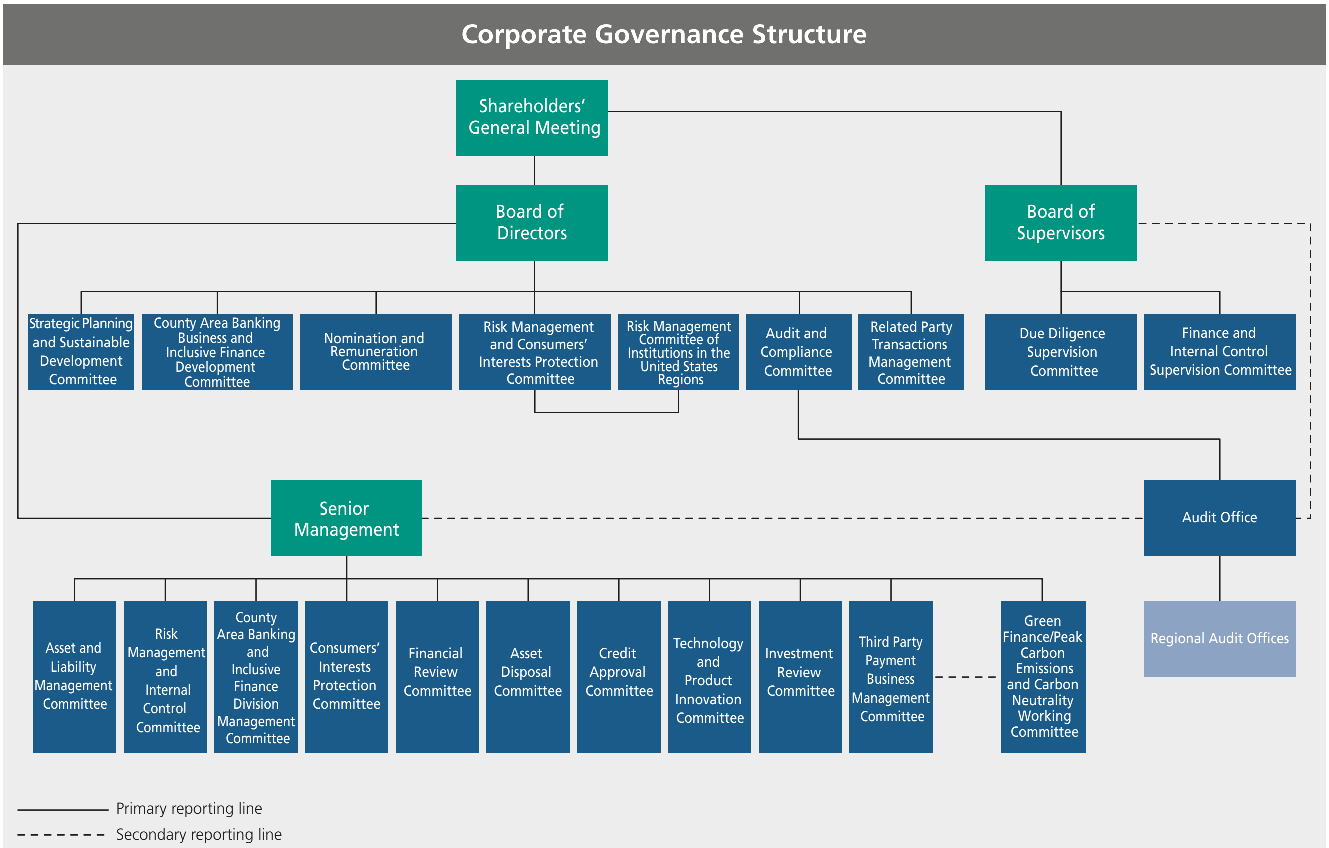
Name	Position	Tenure	Remuneration paid in 2023 (Unit: RMB Ten Thousand) Salaries paid before tax (1)	Social insurance, enterprise annuity and housing fund payable by the Bank (2)	Director's fee/ Supervisor's fee (3)	Total (4)=(1)+(2)+(3)	Whether receiving remuneration from shareholders' unit or other related parties (Y/N)
Former Directors, Supervisors and Senior Management							
FU Wanjun	Former Vice Chairman of the Board of Directors, Executive Director, President	2023.01–2023.12	67.26	22.54	–	89.80	N
LIAO Luming	Former Non-executive Director	2017.08–2023.09	–	–	–	–	Y
WANG Jingdong	Former Chairman of the Board of Supervisors, Supervisor Representing Shareholders	2018.11–2023.02	11.21	1.97	–	13.18	N
WU Gang	Former Supervisor Representing Employees	2019.10–2023.04	–	–	1.67	1.67	N
ZHANG Yi	Former Executive Vice President	2021.11–2023.03	10.09	3.55	–	13.64	N
LI Zhicheng	Former Chief Risk Officer	2017.02–2023.02	17.19	4.40	–	21.59	N
HAN Guoqiang	Former Secretary to the Board of Directors	2020.11–2023.12	103.11	31.58	–	134.69	N

Notes:

1. *The Directors, Supervisors and senior management members of the Bank who are also our employees are entitled to receive remuneration from the Bank. The remuneration package includes salary, bonus and contributions to all kinds of social insurance and housing fund payable by the Bank. The above amount is the remuneration received during his/her tenure in the position. The Independent Non-executive Directors of the Bank are entitled to receive Director's fee. The External Supervisors of the Bank are entitled to receive Supervisor's fee. The Chairman of the Board of Directors, Executive Directors and senior management members of the Bank do not receive any remuneration from any subsidiary of the Bank. For Supervisors Representing Employees of the Bank, the amount set forth above only includes fee for their services as Supervisors.*
2. *The total remuneration (before tax) paid to the Directors, Supervisors and senior management members, including former Directors, Supervisors and senior management members, by the Bank in 2023 was RMB10,857.3 thousand.*

Operation of Corporate Governance

Corporate Governance Structure



Note: *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*

During the reporting period, we attached great importance to enhance the communication and interaction among the Board of Directors, the Board of Supervisors and the senior management. By cross-presenting meetings of the Board of Directors and relevant special committees, meetings of the Board of Supervisors and relevant special committees as well as meetings of the Senior Management, and jointly participating in special topic meetings such as seminars on reform and development, the Directors, Supervisors and senior management members conducted in-depth discussions and exchanges. By jointly participating in duty performance trainings for the Directors and Supervisors (special topic on "ESG and Green Finance", financial management and key points for the duty performance of the Directors, Supervisors and senior management) and other activities, the communication efficiency and synergy of duty performance were continuously improved.

Shareholders' General Meetings

As our authority of power, our shareholders' general meeting is formed by all shareholders. Our shareholders' general meeting is responsible for, among other things, deciding on our business policies and investments plans; electing, replacing and dismissing Directors and deciding on matters concerning the remuneration of the relevant Directors; electing, replacing and dismissing External Supervisors and Supervisors Representing Shareholders, and deciding on matters concerning the remuneration of the relevant Supervisors; considering and approving work report of the Board of Directors and work report of the Board of Supervisors; considering and approving our annual financial budget and final accounts, and profit distribution and loss appropriation plans; adopting resolutions concerning the increase or reduction of our registered capital, the issue and listing of corporate bonds and other negotiable securities, purchase of the Bank's shares, merger, division, dissolution, liquidation, change of corporate form, etc. and amending the Articles of Association as well as considering and adopting the rules of procedures for the shareholders' general meeting, the rules of procedures for the Board of Directors and the rules of procedures for the Board of Supervisors, etc.

Shareholders' General Meetings *Number of attendance in person[1]/Number of meeting requiring attendance*

Meetings	Date	Proposals considered	Reports listened to	Attendance of Directors
The 2022 Annual General Meeting	29 June 2023	The 2022 work report of the Board of Directors; the 2022 work report of the Board of Supervisors; the final financial accounts for 2022; the profit distribution plan for 2022; the appointments of auditors for 2023; the issuance plan of write-down undated additional tier-1 capital bonds, the issuance plan of write-down eligible tier-2 capital instruments; and the fixed assets investment budget for 2023	The 2022 work report of Independent Non-executive Directors; the report on the 2022 implementation of the Plan on Authorization of Shareholders' General Meeting to the Board of Directors; and the 2022 report on the management of related party transactions	15/15
The 2023 First Extraordinary General Meeting	20 October 2023	The 2022 remuneration of the Directors, the 2022 remuneration of the Supervisors, the re-election of Mr. ZHANG Xuguang as an Executive Director, and the additional budget for donation for 2023	None	14/14

Notes: 1. Attendance in person includes attendance on site and attendance by way of electronic communication such as telephone, video conference, etc.

2. The Bank published the poll results announcements and legal opinions on the above shareholders' general meetings in a timely manner in accordance with regulatory requirements. Such poll results announcements were published on the website of the Hong Kong Stock Exchange on 29 June 2023, and 20 October 2023, respectively, and on the website of the Shanghai Stock Exchange as well as on the media designated by the Bank for information disclosure on 30 June 2023, and 21 October 2023, respectively.

3. For details of the attendance of each Director, please refer to "Attendance of Directors at Meetings".

Board of Directors

Details of the Board of Directors

As our decision-making organ, the Board of Directors is accountable to, and shall report its work to, the shareholders' general meeting. The Board of Directors is responsible for, among other things, convening the shareholders' general meeting and reporting to the shareholders' general meeting; implementing the resolutions of the shareholders' general meeting; deciding on our development strategies, business plans and investment proposals; formulating our capital plans, annual financial budget and final accounts, proposals on profit distribution and loss appropriation, proposals on the increase or reduction of registered capital and financial restructuring, the capital replenishment plans including, among other things, the issue of corporate bonds or other negotiable securities, and listing plans; formulating proposals on merger, division, dissolution or change of the corporate form; formulating proposals on major acquisitions, and purchase of the Bank's shares; establishing and supervising the implementation of our basic management systems and policies; considering and approving the general risk management report and the plan on allocation of risk-based capital, making and deciding the Bank's risk tolerance and evaluating the effectiveness of our risk management; formulating amendments to our Articles of Association, the rules of procedures for the shareholders' general meeting and the rules of procedures for the Board of Directors, considering and approving the rules of procedures of the special committees of the Board of Directors and establishing the relevant corporate governance system; appointing or dismissing the President and the Secretary to the Board of Directors; appointing and dismissing the Vice President and other senior management members (excluding the Secretary to the Board of Directors) nominated by the President; regularly assessing and improving the corporate governance of the Bank; and responsible for the affairs related to our information disclosure, etc.

The Bank has established relevant mechanism to ensure independent views and opinions are available to the Board of Directors. Pursuant to relevant requirements of the Articles of Association, the Board of Directors shall carefully consider the opinions of external auditors in performing its duties and may seek advice from professional firms or professionals at the cost of the Bank. After review, the Bank believes that the relevant mechanism was implemented effectively during the reporting period.

Composition of the Board of Directors

At the end of the reporting period, the Board of Directors of the Bank consisted of 13 Directors, including three Executive Directors, namely Mr. GU Shu, Mr. ZHANG Xuguang and Mr. LIN Li; five Non-executive Directors, namely Ms. ZHOU Ji, Mr. LI Wei, Mr. LIU Xiaopeng, Mr. XIAO Xiang and Mr. ZHANG Qi; and five Independent Non-executive Directors, namely Mr. HUANG Zhenzhong, Ms. LEUNG KO May Yee, Margaret, Mr. LIU Shouying, Mr. WU Liansheng and Mr. WANG Changyun.

Terms of Directors

Each Director shall be elected at the shareholders' general meetings. A Director shall serve a term of three years and may serve consecutive terms if being re-elected. The term of an Independent Non-executive Director shall not exceed six years on an aggregated basis.

Chairman of the Board of Directors and President of the Bank

Pursuant to code provision C.2.1 of the *Corporate Governance Code* in Appendix C1 to the Hong Kong Listing Rules and the Articles of Association, the roles of the Chairman and the President of the Bank are separate. The Chairman shall not be served concurrently by the legal representative or the person-in-charge of any controlling shareholder of the Bank. The roles of the Chairman and the President of the Bank are separate and independent, with clear division of responsibilities.

Mr. GU Shu serves as the Chairman of the Board of Directors and our legal representative of the Bank and is responsible for organizing the Board of Directors to make decisions on material issues such as our development strategies.

The President of the Bank is in charge of our management of business operation. The President is appointed by, and accountable to, the Board of Directors, and shall perform duties in accordance with the Articles of Association and the authorization of the Board of Directors.

On 26 December 2023, Mr. FU Wanjun resigned as the President of the Bank due to work adjustment. On the same day, the Board of Directors of the Bank considered and approved the performance of the President's responsibilities by Chairman Mr. GU Shu until the date when new President is appointed by the Board of Directors of the Bank and the qualification of the new President is ratified by the NFRA.

Training of Our Directors

Training Methods: Training by conference, training by written materials, site visits, etc.

Training Contents: topic on ESG and Green Finance, Financial Management, Sustainability Disclosure Standards of International Sustainability Standards Board (ISSB), etc.

Training of Our Secretary to the Board of Directors and Company Secretary

Training Methods: Online training and training by written materials, etc.

Training Duration: Not less than 15 hours.

Diversity of the Board of Directors

Number of Directors	% of Independent Non-executive Directors	% of female Directors	% of Directors with professional background in law	% of Directors with professional background in finance and audit	% of Directors under 55 (inclusive) years old
13	38.5%	15.4%	23.1%	38.5%	30.8%

We have formulated a policy on diversity of the composition of the Board of Directors, which specifies our opinions of upholding the diversity of the composition of the Board of Directors, and the approaches to be taken on an ongoing basis in the process of achieving it. We acknowledged and appreciated its importance and benefits and regarded it as a critical factor in achieving our strategic goals, maintaining our competitive strengths and achieving our sustainable development. We considered the diversity from various aspects, including talent, skills, industry experience, cultural and educational background, gender, age and other factors, in setting the composition of the Board of Directors.

The Board of Directors of the Bank is composed of professionals in the fields of accounting, law, economics, etc., while achieving diversity in various dimensions such as gender, age and length of service, which effectively improved the decision-making ability and strategic management of the Board of Directors.

The composition of the Board of Directors of the Bank complies with the requirements of the Hong Kong Listing Rules on gender diversity of the composition of the Board of Directors and complies with the Bank's policy on diversity of the composition of the Board of Directors. The Bank's current nomination policy and policy on diversity of the composition of the Board of Directors can ensure that the Board of Directors will have alternate potential successors to continue the existing gender diversity of the Board of Directors.

Independence of Independent Non-executive Directors

As of the end of the reporting period, the qualifications, number and proportion of the Independent Non-executive Directors were in full compliance with the applicable regulatory requirements. The Independent Non-executive Directors were not involved in any business or financial interests of the Bank or its subsidiaries, nor did they hold any managerial position in the Bank. We have received annual independence confirmation letters from each of the Independent Non-executive Directors and confirmed their independence.

Performance of Duties by Independent Non-executive Directors

During the reporting period, the Independent Non-executive Directors worked on-site at the Bank for no less than 15 working days. The Directors who served as the chairmen of the Audit and Compliance Committee, the Risk Management and Consumers' Interests Protection Committee and the Related Party Transactions Management Committee worked at the Bank for no less than 25 working days.

During the reporting period, the Independent Non-executive Directors did not raise any objection to the resolutions of the Board of Directors or its special committees.

Details were separately disclosed in the *Due Performance Report of Independent Non-executive Directors of Agricultural Bank of China Limited for 2023*, which was published on the website of the Shanghai Stock Exchange.

Issues that the Independent Non-executive Directors paid close attention to during the reporting period

The Independent Non-executive Directors focused on key issues such as management of related party transactions, nomination of the senior management members, information disclosure, internal control, operation of the Board of Directors and its special committees, etc. They made clear judgments on relevant matters in accordance with the law and regulations, expressed their opinions and made recommendations independently and objectively.

Communications between Independent Non-executive Directors and external auditors

The Independent Non-executive Directors listened to a number of reports from the external auditors with respect to the audit results, annual audit plan, management letter, etc. In the course of preparation of the 2022 Annual Report, the Independent Non-executive Directors individually communicated with the external auditors regarding issues identified in the audits.

The role of Independent Non-executive Directors in terms of internal control

The Independent Non-executive Directors considered the proposals, including the work plan of internal control evaluation for 2023, the internal control assessment report for 2022, the report on compliance risk management for 2022, and listened to the reports, including the audit work report for 2022, and the report on related party transactions management for 2022.

Independent opinions

For details, please see "Corporate Governance Report — Shareholding Structure — Protection of Minority Shareholders' Interests".

Means for Non-executive Directors to access information

Daily information support	We regularly provide the Non-executive Directors with important operational information such as financial operation, asset and liability operation and risk management reports, and other important documents and information updates such as newly added or newly revised rules and regulations, meeting materials, internal audit reports. The Non-executive Directors have permission to access our intelligent office portal, integrated financial and accounting management platform, operating management information platform, credit management system, as well as internal control and compliance management system, etc.
Communication with the Senior Management	The mechanism for the Directors to sit in on the president's office meetings and on the meetings held by the special committees of the Senior Management was established. During the reporting period, the Non-executive Directors sat in on seven president's office meetings and four meetings held by the special committees of the Senior Management. The Non-executive Directors participated in 10 communication meetings for proposals before the meetings of the Board of Directors and had in-depth and thorough discussions on the content of the proposals. The Non-executive Directors participated in the meetings for monthly business briefings and departmental thematic debriefings, so as to gain a timely and comprehensive understanding of our operation and management.
Communication with independent third parties such as external auditors	The Non-executive Directors and the external auditors held four symposiums, having in-depth communication on the audit work and the issues identified during the audit and review.
Investigations and research	The Non-executive Directors visited 22 branches to conduct investigation and research. They prepared written investigation and research reports and put forward policy advice focusing on topics such as construction of risk early warning mechanism, support for specialized and sophisticated enterprises that produce new and unique products, support for rural revitalization, smart loans to animal husbandry, risk management of market business, and situation of Chinese enterprises "going global" and operation and development of overseas financial institutions, respectively.

Meetings of the Board of Directors

Item	Details
Number of regular meetings held	4
Number of extraordinary meetings held	4
Total number of meetings held	8
Dates of meetings	23 February, 30 March, 28 April, 28 July, 29 August, 27 October, 30 November and 26 December 2023
Particulars of considering proposals or listening to reports	The Board of Directors considered 62 proposals such as periodic reports, Green Finance Development Report, the profit distribution, nominating the candidates of the Directors and the appointment of the senior management members. The Board of Directors listened to 18 reports such as the implementation of the "14th Five-Year Plan" and evaluation report on strategic risk for 2022, and the audit work report for 2022.

Attendance of Directors at Meetings

Number of attendance in person[1]/number of meetings requiring attendance

Directors	Shareholders' General Meetings	Meetings of the Board of Directors	Meetings of Special Committees of the Board of Directors: Strategic Planning and Sustainable Development Committee	County Area Banking Business and Inclusive Finance Development Committee	Nomination and Remuneration Committee	Audit and Compliance Committee	Risk Management and Consumers' Interests Protection Committee	Related Party Transactions Management Committee	Risk Management Committee of Institutions in the United States Regions
Executive Directors									
GU Shu	2/2	6/8	4/5						
ZHANG Xuguang	2/2	7/8	4/5				3/5		2/3
LIN Li	2/2	7/8	4/5				4/5		3/3
Non-executive Directors									
ZHOU Ji	2/2	8/8	5/5	1/1	4/4				
LI Wei	2/2	8/8		1/1	4/4	4/4			
LIU Xiaopeng	2/2	8/8	5/5				5/5		3/3
XIAO Xiang	2/2	8/8	5/5				5/5		3/3
ZHANG Qi	2/2	8/8		1/1		4/4	5/5		3/3
Independent Non-executive Directors									
HUANG Zhenzhong	2/2	8/8			4/4		5/5	1/1	3/3
LEUNG KO May Yee, Margaret	2/2	7/8				3/4	4/5	1/1	2/3
LIU Shouying	2/2	8/8		1/1	4/4	4/4			
WU Liansheng	2/2	8/8		1/1	4/4	4/4			
WANG Changyun	2/2	8/8			4/4		5/5	1/1	3/3
Former Directors									
FU Wanjun	2/2	5/7	3/5	1/1	3/3				
LIAO Luming	1/1	5/5	4/4	1/1			3/3		3/3

Note: 1. Attendance in person includes attendance on site and attendance by way of electronic communication such as telephone and video conference. During the reporting period, the Directors who did not attend the meetings of the Board of Directors or special committees in person thereof had designated other Directors as proxies to attend and to vote on their behalf at the meetings.

Implementation of Resolutions of the Shareholders' General Meetings by the Board of Directors

During the reporting period, the Board of Directors strictly implemented the resolutions of the shareholders' general meetings and the authorization to the Board of Directors by the shareholders' general meeting, and seriously implemented the proposals considered and approved by the shareholders' general meetings, including the fixed assets investment budget and issuance plan of write-down eligible tier-2 capital instruments.

Responsibilities of Directors on Financial Statements

The Directors acknowledge their responsibility for preparing the financial reports of each accounting period, and they are of the view that such financial reports give a true and fair view of the financial position, operating results and cash flows of the Group.

During the reporting period, we complied with relevant laws, regulations and the requirements of the listing rules of places where our shares are listed and published the annual report for 2022 and the first quarterly report, interim report and third quarterly report for 2023.

Risk Management and Internal Control

The Board of Directors is responsible for establishing sound and effective risk management and internal control and supervising and assessing the construction of our internal control and risk management systems and the risk level (including reviewing the effectiveness of such systems). Such systems are in place to provide reasonable (though not absolute) assurance against material misstatement or loss, and to manage (rather than eliminate) the risk of failure to achieve business objectives. During the reporting period, the Board of Directors reviewed the adequacy and effectiveness of our risk management and internal control through the Audit and Compliance Committee, Risk Management and Consumers' Interests Protection Committee, Risk Management Committee of Institutions in the United States Regions and Related Party Transactions Management Committee established under it. The Board of Directors reviews the effectiveness of the risk management and internal control of the Bank at least once a year. The Board of Directors was of the view that our risk management and internal control were adequate and effective.

For details of our risk management and internal control, please refer to "Discussion and Analysis — Risk Management", "Corporate Governance Report — Risk Governance" and "Corporate Governance Report — Internal Control".

Details of the Special Committees under the Board of Directors

The Special Committees under the Board of Directors of the Bank and the Compositions of Their Members at the End of the Reporting Period

	Strategic Planning and Sustainable Development Committee	County Area Banking Business and Inclusive Finance Development Committee	Nomination and Remuneration Committee	Audit and Compliance Committee	Risk Management and Consumers' Interests Protection Committee	Related Party Transactions Management Committee	Risk Management Committee of Institutions in the United States Regions
Executive Directors							
GU Shu	C						
ZHANG Xuguang	M				M		M
LIN Li	M				M		M
Non-executive Directors							
ZHOU Ji	M	M	M				
LI Wei		M	M	M			
LIU Xiaopeng	M				M		M
XIAO Xiang	M				M		M
ZHANG Qi		M		M	M		M
Independent Non-executive Directors							
HUANG Zhenzhong			M		C	M	C
LEUNG KO May Yee, margaret				M	M	C	M
LIU Shouying		M	C	M			
WU Liansheng		M	M	C			
WANG Changyun			M		M	M	M
% of Independent Non-executive Directors	—	40%	66.7%	60%	37.5%	100%	37.5%

Notes:
1. *C refers to the Chairman of the relevant Committees and M refers to the Member of the relevant Committees.*
2. *On 28 September 2023, Mr. LIAO Luming resigned as a member of each of the Strategic Planning and Sustainable Development Committee, the County Area Banking Business and Inclusive Finance Development Committee, the Risk Management and Consumers' Interests Protection Committee and the Risk Management Committee of Institutions in the United States Regions.*
3. *On 26 December 2023, Mr. FU Wanjun resigned as a member of the Strategic Planning and Sustainable Development Committee, the chairman and a member of the County Area Banking Business and Inclusive Finance Development Committee and a member of the Nomination and Remuneration Committee.*

Duty Performance of the Special Committees of the Board of Directors

Special Committees	Main Duties	Number of meetings (dates)	Considering Proposals or Listening to Reports
Strategic Planning and Sustainable Development Committee	Consider our overall strategic development plan and specific strategic development plans, major investment and financing plans, establishment of major legal entities and other material matters critical to our development; consider the sustainable development strategies and goals of the Bank and regularly evaluate the implementation of the sustainable development strategies; consider the relevant environmental, social and governance reports of the Bank, evaluate the development of green finance of the Bank, etc., and make suggestions to the Board of Directors.	5 (23 February, 30 March, 28 April, 28 July, and 30 November 2023)	Considered 12 proposals relating to the Operation Plan for 2023, the final financial accounts plan for 2022, the 2022 Corporate Social Responsibility Report, and work report on the Green Finance/ peak carbon emissions and carbon neutrality for 2022; listened to two reports such as the implementation of the "14th Five-Year Plan" and evaluation report on strategic risk for 2022, etc.; and provided relevant opinions and suggestions on the issuance of capital instruments, Green Finance development and so on.
County Area Banking Business and Inclusive Finance Development Committee	Consider 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 systems of the County Area Banking Business and Inclusive Finance, etc., and make suggestions to the Board of Directors.	1 (22 February 2023)	Considered the proposal relating to the specific evaluation plan of inclusive finance business for 2023; and listened to a report on the forecast of the County Area Banking Division's financial target in 2023.
Nomination and Remuneration Committee[1]	Formulate the election standards and review procedures of the Directors, chairman and members of special committees of the Board of Directors and senior management members, preliminarily review and approve the eligibility of the candidates for Directors, President, Secretary to the Board of Directors, and Vice Presidents and other senior management members nominated by the President, make recommendations of the proposed candidates for the Directors and President to the Board of Directors, provided suggestions on the remuneration allocation plans, etc. and submit to the Board of Directors for consideration.	4 (27 April, 27 July, 25 August and 26 December 2023)	Considered eight proposals including the nomination of Director candidates, the appointment of Vice President, the remuneration of the Directors, the remuneration of the senior management members, etc.

Special Committees	Main Duties	Number of meetings (dates)	Considering Proposals or Listening to Reports
Audit and Compliance Committee	Consider our internal control and management systems and the material financial and accounting policies; consider our audit basic management system and regulations, the medium- and long-term audit plan, annual work plan, etc. and make suggestions to the Board of Directors; as well as consider and approve our general policy on prevention of cases of violations, and effectively review and supervise our prevention of cases of violations.	4 (29 March, 27 April, 25 August and 26 October 2023)	Considered 12 proposals including 2023 audit project plan, 2022 annual report and its abstract, first quarterly report of 2023, 2023 interim report and its abstract, third quarterly report of 2023, and 2022 internal control assessment report; listened to nine reports including the 2022 audit results report, and the 2022 anti-money laundering and sanctions risk management work report. Enhanced communication with our external auditors and the supervision on their work and listened to the reports of external auditors on the audit results and the annual audit plan, etc. During the preparation of the 2022 Annual Report, the members of the Audit and Compliance Committee conducted separate communication and discussion about the issues identified during audit with the external auditors. The Bank has separately disclosed the *2023 Annual Duty Performance Report of the Audit and Compliance Committee under the Board of Directors of Agricultural Bank of China Limited*, details of which was published on the website of the Shanghai Stock Exchange.
Risk Management and Consumers' Interests Protection Committee	Consider our strategic plan of risk management, the risk appetite, the material risk management policies, the overall risk management report and allocation plan of risk-weighted capital; consider our strategies, policies and objectives of consumers' interests protection; consider the work reports of senior management and consumers' rights and interests protection department; supervise and evaluate our risk management and consumers' interests protection, etc., and make suggestions to the Board of Directors.	5 (28 March, 26 April, 25 August, 26 October and 25 December 2023)	Considered nine proposals relating to the comprehensive risk management report, limits and strategies of country (region) risk in 2023, and the interest rate risk report of banking book in 2022; and listened to 11 reports relating to the risk analysis reports, the operation of IRB system and the validation report of the advanced approach on capital measurement, and the regulatory evaluation and notification reports on consumers' interests protection; and made relevant advice and suggestions on the control of risks, which include credit risk, market risk and operational risk, etc.
Related Party Transactions Management Committee	Consider, supervise and implement the basic management system for related party transactions; conduct preliminary review on related party transactions to be approved by the Board of Directors or the shareholders' general meetings; review and record the relevant related party transactions, to the extent of authorisation by the Board of Directors, etc.	1 (28 March 2023)	Listened to report on the related party transactions management in 2022, and made relevant advice and suggestions on the enhancement of the management of our related parties and related party transactions.

Special Committees	Main Duties	Number of meetings (dates)	Considering Proposals or Listening to Reports
Risk Management Committee of Institutions in the United States Regions	Consider and approve the risk management policies in relation to the businesses in the United States regions and supervise its implementation, as well as consider the issues identified in the internal and external inspection of institution in the United States regions and the report on relevant rectification, and other matters authorized 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.	3 (22 February, 26 April and 25 August 2023)	Considered four proposals relating to the basic risk management policies of the New York Branch; and listened to three reports including the report on the 2023 risk and compliance work of the New York Branch. Conducted anti-money laundering and sanctions risk management training, regularly reviewed the risks in relation to the businesses in the United States regions and made relevant advice and suggestions.

Note: 1. The Articles of Association specifies the procedures and methods of the nomination of Directors and have specific requirements for the election of Independent Non-executive Directors. Please refer to the Articles of Association including articles 138 and 149 therein for details. The Articles of Association are published on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Bank. During the reporting period, the Bank elected its Directors in strict compliance with the Articles of Association. When nominating the candidates for Directors, the Nomination and Remuneration Committee of the Board of Directors mainly takes their qualifications, compliance with laws, administrative regulations, rules and the Articles of Association, capability of faithful and diligent obligation, understanding of our business operation and management and willingness to accept supervision of their duty performance by the Board of Supervisors and the requirement of the diversity of the composition of the Board of Directors into account moderately. Please refer to "Diversity of the Board of Directors" for the details of our policy on diversity of the composition of the Board of Directors. The quorum of the attendees of meeting of the Nomination and Remuneration Committee shall be more than two-thirds of all its members and any resolution at such meeting shall be passed by favorable votes from more than half of its members.

The Board of Supervisors

As our supervisory organ, the Board of Supervisors is accountable to and shall report to the shareholders' general meeting. The Board of Supervisors is responsible for supervising and evaluating the performance of duties of the Board of Directors, the Senior Management and their members and the Supervisors, questioning the Board of Directors and senior management members, urging the Directors and senior management members to rectify their acts which impair the Bank's benefits; proposing the dismissal of or initiating litigation against the Directors and senior management members who breach the laws, administrative rules, the Articles of Association or the resolution of the shareholders' general meeting; conducting audit on resigning the Directors and senior management members as necessary; formulating the compensation and allowance distribution plan for Supervisors and submitting the plan to the shareholders' general meeting for consideration; supervising and inspecting the financial activities, business decisions, risk management, internal control and other aspects of the Bank and supervising the rectification thereof, and guiding the work of internal audit department of the Bank; reviewing the financial information such as the financial reports, operation reports and profit distribution plans to be submitted by the Board of Directors to the shareholders' general meeting and engaging certified accountants and auditors to review such reports in the name of the Bank, if any problems are identified; supervising the implementation of the strategic plans, policies and basic management systems for the development of County Area Banking Business; submitting proposals to the shareholders' general meeting; nominating Supervisors Representing Shareholders, External Supervisors and Independent Directors; formulating amendments to the rules of procedures of the Board of Supervisors; supervising the compliance of the appointment, dismissal and reappointment of external auditing institutions and the fairness of the terms of engagement and remuneration, as well as the independence and effectiveness of external audit work; performing other duties as required by applicable laws, administrative regulations, departmental rules and the Articles of Association of the Bank and other duties authorized by the shareholders' general meeting.

Composition of the Board of Supervisors

At the end of the reporting period, the Board of Supervisors of the Bank consisted of six Supervisors, including one Supervisor Representing Shareholders, namely Ms. DENG Lijuan, two Supervisors Representing Employees, namely Mr. HUANG Tao and Mr. WANG Xuejun, three External Supervisors, namely Ms. LIU Hongxia, Mr. XU Xianglin and Mr. WANG Xixin.

Meetings of the Board of Supervisors

Item	Details
Regular meetings of the Board of Supervisors	4
Extraordinary meetings of the Board of Supervisors	2
Total number of meetings	6
Dates of meetings	17 February, 30 March, 28 April, 29 August, 27 October and 26 December 2023
Considering and Approving Proposals or Listening to Reports	Considered 19 proposals including the *2022 Annual Report of the Agricultural Bank of China Limited* and its abstract, and listened to 27 reports including the comprehensive risk management report for 2022.

Note: The Office of Board of Supervisors is the office to carry out regular tasks of the Board of Supervisors. It is responsible for arranging meetings of the Board of Supervisors and special committees thereof and preparing documents, minutes for those meetings, etc., as well as conducting daily supervision and monitoring work according to the requirements of the Board of Supervisors.

Attendance of Supervisors at Meetings *Number of attendance in person[1]/number of meetings requiring attendance*

Supervisors	Board of Supervisors	Special Committees under the Board of Supervisors: Due Diligence Supervision Committee	Special Committees under the Board of Supervisors: Finance and Internal Control Supervision Committee
Supervisor Representing Shareholders			
DENG Lijuan	6/6	3/3	4/4
Supervisor Representing Employees			
HUANG Tao	5/6	3/3	–
WANG Xuejun	6/6	–	4/4
External Supervisor			
LIU Hongxia	6/6	–	4/4
XU Xianglin	6/6	3/3	4/4
WANG Xixin	6/6	3/3	–
Former Supervisor			
WU Gang	2/2	1/1	–

Note: 1. Attendance in person includes attendance on site and attendance by way of electronic communication such as telephone and video conference. During the reporting period, the Supervisors of the Bank who did not attend the meetings of the Board of Supervisors or special committees in person thereof had designated other Supervisors as proxies to attend and to vote on their behalf at the meetings.

The main responsibilities of the Due Diligence Supervision Committee are as follows: to formulate and carry out the implementation plans for supervising due diligence of the Board of Directors, senior management and their members upon approval of the Board of Supervisors; to submit review opinions on due diligence of the Board of Directors, senior management and their members and to provide advice in respect thereof to the Board of Supervisors; to formulate the audit report of any resigning Director and senior management member, if so required, and make suggestions to the Board of Supervisors; to provide recommendations on the candidates of Supervisors Representing Shareholders, External Supervisors, Independent Non-executive Directors and members of each special committee to the Board of Supervisors; to formulate the assessment plan, organize the performance evaluation of Supervisors, and provide recommendations in respect thereof to the Board of Supervisors; to make proposals on the compensation and allowance distribution plan for Supervisors and submit the plan to the Board of Supervisors for approval; to research and handle the relevant matters, documents and information reported or provided by the Board of Directors, senior management or any of their members; and to perform other duties as required by the laws, administrative regulations and departmental rules, or other matters authorized by the Board of Supervisors. At the end of the reporting period, the Due Diligence Supervision Committee comprised four Supervisors, namely Mr. XU Xianglin, Ms. DENG Lijuan, Mr. HUANG Tao and Mr. WANG Xixin. The Due Diligence Supervision Committee was chaired by Mr. XU Xianglin.

Meetings of the Due Diligence Supervision Committee

Number of Meetings	Dates of meetings	Considering Proposals or Listening to Reports
3	7 March, 29 August and 26 December 2023	Considered five proposals including the assessment report on due diligence of the Board of Directors, the Board of Supervisors, the Senior Management and their members for 2022.

The main responsibilities of the Finance and Internal Control Supervision Committee are as follows: to formulate and carry out the work and implementation plans of the Finance and Internal Control Supervision upon approval of the Board of Supervisors; to supervise the implementation of the strategic plan for development of, the policies and basic management system of the County Area Banking Business of the Bank and evaluate the implementation effectiveness and provide recommendation in respect thereof to the Board of Supervisors; to supervise and inspect the financial and accounting reports, operation reports and profit distribution proposals formulated by the Board of Directors and provide recommendations in respect thereof to the Board of Supervisors; to formulate and implement the plans of the Board of Supervisors to supervise and inspect the financial activities, business decisions, risk management, internal control and so on of the Bank upon the approval of the Board of Supervisors; to recommend to the Board of Supervisors for engagement of external auditing institutions to perform audits on the Bank's financial statements when necessary; to guide the work of the internal audit department; to research and handle the relevant matters or documents or information reported or provided by the Board of Directors, senior management or any of their members; and to supervise the compliance of the appointment, dismissal and reappointment of external auditing institutions and the fairness of the terms of engagement and remunerations, as well as independence and effectiveness of external audits, and make suggestions to the Board of Supervisors; and to perform other duties as required by the laws, administrative regulations and departmental rules, or other matters authorized by the Board of Supervisors. At the end of the reporting period, the Finance and Internal Control Supervision Committee comprised four Supervisors, namely Ms. LIU Hongxia, Ms. DENG Lijuan, Mr. WANG Xuejun and Mr. XU Xianglin. The Finance and Internal Control Supervision Committee was chaired by Ms. LIU Hongxia.

Meetings of the Finance and Internal Control Supervision Committee

Number of Meetings	Dates of meetings	Considering Proposals or Listening to Reports
4	30 March, 28 April, 29 August and 27 October 2023	Considered nine proposals, including the final financial accounts for 2022, and listened to nine reports, including the monitoring and analysis report on the financial and operation conditions of the Bank for 2022.

Work of External Supervisors

During the reporting period, the External Supervisors strictly performed their supervisory duties diligently in accordance with the Articles of Association. They conscientiously considered the relevant proposals, listened to the work reports, and carried out the supervision and investigations. They attended meetings of the Board of Supervisors and its special committees, and provided professional, rigorous and independent opinions, which facilitating to improve our corporate governance and enhance our operation management level.

Work of Board of Supervisors

Please refer to the "Report of the Board of Supervisors" for details.

Senior Management

As our execution organ, the Senior Management is accountable to the Board of Directors and under the supervision of the Board of Supervisors. The senior management is responsible for, among other things, taking charge of our operation and management, and implementing resolutions of the shareholders' general meetings and the Board of Directors; formulating our basic management systems and policies, and establishing our specific rules and regulations (other than internal audit rules and regulations); formulating our business plans and investment proposals, and making arrangements for their implementation after they are approved by the Board of Directors; formulating our annual financial budget and final accounts, risk capital allocation plans, profit distribution plans, loss appropriation plans, plans for increase or reduction of registered capital, plans for issuance of corporate bonds or other negotiable securities and listing plans, and shares repurchase plans, and making proposals to the Board of Directors, etc.

Composition of the Senior Management

At the end of the reporting period, the Bank's Senior Management comprised six members, namely, Mr. ZHANG Xuguang, Mr. LIN Li, Mr. XU Han, Mr. LIU Jiawang, Mr. LIU Hong and Mr. WU Gang.

Work of the Senior Management

Authorized by the Board of Directors, the Senior Management effectively promoted the bank-wide operation and management in compliance with the Articles of Association and other governance documents of the Bank. During the reporting period, the senior management members held more than 320 president's office meetings and thematic conferences to study on how to implement the decisions and plans of the Board of Directors and formulate the operation plans, operation strategies and management measures which were subject to well-timed adjustments in response to the market changes. The senior management members proactively invited the Directors and Supervisors to attend key meetings and events, solicited their opinions and advice, and maintained close communication with the Board of Directors and the Board of Supervisors, thereby constantly improving the quality and efficiency of our operation and management.

Related Party Transactions and Intra-group Transactions

Management System of Related Party Transactions and Intra-group Transactions

The Bank has formulated the *Measures for Related Party Transactions Management of Agricultural Bank of China Limited* and *Implementation Measures for Related Party Transactions Management of Agricultural Bank of China*, as well as the *Measures for Intra-group Transactions Management of Agricultural Bank of China* and *Operating Procedures for Intra-group Transactions Limit Management of Agricultural Bank of China (Provisional)*, which standardized the related party transactions and intra-group transactions management.

Procedures and entities in charge to consider related party transactions and intra-group transactions

The Board of Directors of the Bank assumes the ultimate responsibility for related party transactions management. The Related Party Transactions Management Committee under the Board of Directors is responsible for affairs such as management, review and risk control of related party transactions within the scope of its duties and authorities. The Bank has set up a cross-department related party transactions management office under the Senior Management, which is responsible for daily affairs such as related parties identification and maintenance, related party transactions management, and related party transactions data governance.

The related party transactions of the Bank shall be approved in accordance with its business authorization, while the material related party transactions, unified transaction agreements, and the related party transactions with a transaction volume amounting to more than RMB30.00 million (inclusive) and representing more than 1% (inclusive) of the Bank's latest audited net assets are subject to the approval of the Board of Directors, and the related party transactions considered by the Board of Directors must be approved by more than two-thirds of the non-related Directors. If the number of the non-related Directors present at the meeting of the Board is less than 3, it shall be submitted to the Shareholders' General Meeting for consideration.

The related party transactions between the Bank and related parties with a transaction volume amounting to more than RMB30.00 million (inclusive) and representing more than 5% (inclusive) of the Bank's latest audited net asset, and the guarantees transactions within the scope of non-banking business provided to the related parties shall be submitted to the Shareholders' General Meeting for consideration after being considered and approved by the Board of Directors.

The Bank implements annual cap management over its intra-group transactions and approves the intra-group transactions in accordance with its business authorization. The general intra-group transactions exceeding the limit and the material intra-group transactions are subject to the approval of the President and the Board of Directors, respectively.

Details of the Related Party Transactions

In 2023, we implemented standardized management of the related party transactions strictly in compliance with the regulatory requirements of the NFRA and the securities regulations of the PRC and the listing rules of Shanghai and Hong Kong. During the reporting period, our related party transactions were conducted on normal commercial terms and in accordance with the laws and regulations. Our pricing for interest rates followed fair business principles, and no impairment of the interests of the Bank or the minority shareholders was identified.

In 2023, we conducted various related party transactions with connected persons (as defined in the Hong Kong Listing Rules) of the Bank in the ordinary and usual course of business. Such transactions satisfied the applicable exemption conditions set out in Rule 14A.73 under the Hong Kong Listing Rules, and therefore were fully exempted from compliance with the requirements of shareholders' approval, annual review and all requirements in relation to disclosures.

For the related party transactions defined in accordance with the domestic laws and regulations as well as the accounting standards, please refer to "Note IV. 40 Related party transactions to the Consolidated Financial Statements".

Incentive & Constraint Mechanism

We have established a system of deferred payment, recall and deduction of performance salary. Where the senior management members and personnel in key positions violate laws, regulations and disciplines or are responsible for significant risk losses, we will deduct, recall and cease the payment of their performance salary and deferred payment remuneration for the corresponding period based on the severity. The establishment of incentive and constraint mechanism of remuneration allocation enables us to balance the relationship between current and long term as well as between revenue and risk, ensuring the remuneration incentive matches the risk-adjusted performance.

Risk Governance

Risk Appetite

Risk appetite is a term that refers to the levels and types of risks acceptable to and tolerable for the Bank as determined by the Board of Directors of the Bank in order to achieve the strategic targets of the Bank, which depends on the expectations and constraints of our major stakeholders, external operating environment and actual conditions of the Bank.

We generally adopt a prudent risk appetite, actively serve major national strategies, and support economic and social development. We operate strictly in compliance with laws and regulations, and insist on maintaining a balance among capital, risks and returns, as well as consistency in security, profitability and liquidity. We are neither aggressive nor conservative in the level of risk bearing. Through undertaking an appropriate level of risk and adopting proactive and effective management, we seek to achieve moderate returns, maintain sufficient risk provisions and capital adequacy to cover risk losses, and steadfastly followed the path of high-quality development. The Bank continues to improve the comprehensive risk management system, proactively implement advanced approaches of capital management, and maintains good regulatory ratings and external ratings, to provide assurance for realizing our strategic objectives and business plans.

Risk Management Structure

The Board of Directors assumes the ultimate responsibility for risk management. The Risk Management and Consumers' Interests Protection Committee, the Audit and Compliance Committee and the Risk Management Committee of Institutions in the United States Regions under the Board of Directors of the Bank perform the relevant risk management functions, consider the key risk management issues and supervise and evaluate the establishment of risk management system and the risk condition of the Bank.

The Senior Management is the organizer and executor of risk management of the Bank. Under the Senior Management, we have various risk management committees with different functions, including the Risk Management and Internal Control Committee, Credit Approval Committee, Asset and Liability Management Committee and Asset Disposal Committee. Among them, the Risk Management and Internal Control Committee is primarily responsible for organizing and coordinating risk and compliance management across the Bank, considering and approving material risk management and compliance management issues.

The Board of Supervisors is responsible for risk management supervision. It supervises and inspects on due diligence of the Board of Directors and the Senior Management in risk management and urges them to make rectifications. It includes relevant supervision and inspection information into the work report of the Board of Supervisors and regularly reports to the shareholders' general meeting.

Based on the principle of "overall coverage", we established the "matrix" risk management organizational system and the "Three Lines of Defense" for risk management comprising the risk bearing departments, risk management departments and internal audit departments. In 2023, we further promoted the construction of integrated risk management of the parent company and the subsidiaries as well as of the domestic and overseas institutions, and optimized the management framework of major risk including credit risk, market risk and operational risk.

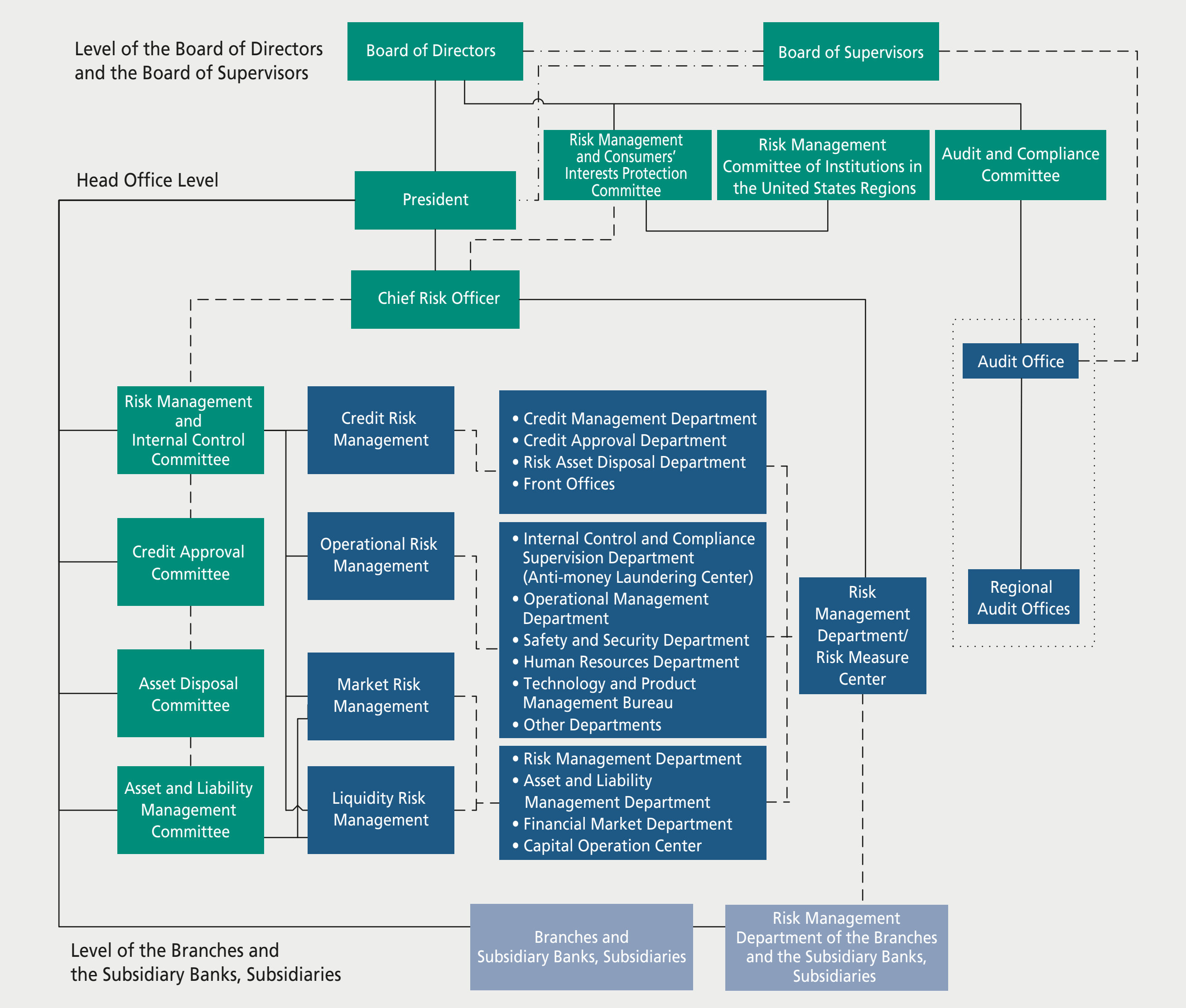
Role and Responsibilities of the Chief Risk Officer

The Chief Risk Officer of the Bank is to lead the construction of a comprehensive risk management system and the implementation of the Basel Capital Accord, coordinate the establishment of the Bank's organizational structure for risk management, review the implementation of the risk management strategies and risk appetite, review major risk management policies and rules, promote the establishment and improvement of risk management information system and data quality control mechanism, and lead the reporting of the Bank's overall risk management to the Board of Directors and its special committees.

Management and Status of Various Risks

Please refer to "Discussion and Analysis — Risk Management" for details.

Major Risk Management Structure



Note: Risks other than those mentioned above have been included in the comprehensive risk management system.

Internal Control

Internal Control Environment

Responsible Body and Department

The Board of Directors of the Bank is responsible for establishing a sound internal control system, effectively implementing the internal control, evaluating its effectiveness, and disclosing the internal control assessment report. The Audit and Compliance Committee, the Risk Management and Consumers' Interests Protection Committee, the Risk Management Committee of Institutions in the United States Regions, and the Related Party Transactions Management Committee established under the Board of Directors are responsible for performing the corresponding duties related to internal control management. The Senior Management is responsible for leading the daily operation of internal control. The Board of Supervisors supervises the establishment and implementation of internal control by the Board of Directors and the Senior Management.

There are internal control and compliance supervision departments at the Bank's Head Office and all branch levels, which are responsible for organizing, promoting and coordinating internal control of the Bank. Each business department is responsible for the construction and implementation of internal controls for its own department and the business line, and is accountable for the effectiveness of internal controls for its own department and the business line. The Bank established the internal audit office and regional internal audit offices with vertical management line to perform the responsibilities of audit supervision over internal control and are responsible for and report to the Board of Directors and its Audit and Compliance Committee.

Objectives of Internal Control Management

The objectives of our internal control are to reasonably ensure our legal and compliant operation and management, make the financial reports and related information truthful and complete, ensure effective risk management and asset security, improve the efficiency and effectiveness of our operation, and facilitate the fulfilment of our business goals and development strategies.

Internal Control Evaluation

The Board of Directors has considered and approved the *2023 Internal Control Assessment Report of ABC*, details of which are published on the website of the Shanghai Stock Exchange.

KPMG Huazhen LLP issued an unqualified *Internal Control Audit Report* based on its audit of the effectiveness of the Group's internal control over financial reporting as of 31 December 2023 in accordance with the relevant regulations, details of which are published on the website of the Shanghai Stock Exchange.

Internal Control Activities

Implementation of Internal Control

Our internal control environment was optimized. We organized the "Year of Compliance Benchmark Construction", built a working mechanism that employees "don't dare to, are unable to and have no desire to" commit acts of noncompliance, and coordinately implemented business development and compliance construction.

Our capabilities to identify and evaluate risks were enhanced. Focusing on the development strategies of the Bank, we solidly carried out legal reviews, compliance reviews and reviews of consumers' interests protection to strictly assess various types of risks related to new businesses, new products, new models and new systems. We advanced the accurate identification of case risks in key areas and enhanced the monitoring and early warning capacities for the compliance of prevention of cases of violations.

We implemented control actions efficiently. We carried out post-evaluation of systems, formulated annual plans, continuously improved a system of rules that is "easy to control effectively, and easy to learn and apply". We adhered to risk-oriented and classified management, and strengthened dynamic adjustment of authorizations. We strengthened duty avoidance, exchange and rotation management, updated responsibilities lists of incompatible positions, improved compulsory vacation mechanism, and promoted our employees to obtain required work permits on a regular basis. We established a compliance talent pool for overseas institutions and distributed targeted guiding opinions on internal control and compliance management at all subsidiaries to strengthen the compliance management of the Group. We improved the mechanism for consumers' interests protection and strengthened the implementation of the Personal Information Protection Law.

We maintained unimpeded information communications. We deeply promoted the construction of the digital compliance platform and other digital transformation key projects, strengthened system connectivity, data sharing, function innovation and process control. We continuously promoted data governance, strengthened sensitive data management and personal information protection.

We optimized the internal supervision evaluation. We optimized the internal control evaluation mechanism, deeply carried out special evaluation to diligently complete the internal control evaluation plan of the Bank. We revised the administrative measures for rectification work to promote the fundamental rectification of issues found out internally and externally. We constantly improved the accountability mechanism covering all risks, paid close attention to key points in time, key links, and key personnel in order to coordinately implement the precise accountability and liability exemption with due diligence.

Internal Control on Financial Statements

We follow the principles of all-sidedness, importance, balancing, adaptability and cost-effectiveness to establish and implement internal control on financial statements in accordance with the requirements of the *Basic Internal Control Norms for Enterprises* issued by the MOF.

The financial statements of the Bank are prepared by the management, signed by the legal representative, the person in charge of accounting and the head of the accounting department, and approved by the Board of Directors for external submission or disclosure.

The Audit and Compliance Committee of the Board of Directors of the Bank is responsible for reviewing the Bank's major financial and accounting policies and their implementation, and supervising the financial operations; supervising and assessing the Bank's internal audit and the Bank's internal audit system and its implementation; supervising and evaluating the annual audit plan, scope of work and important audit standard proposed by the accounting firm for conducting regular statutory audit work for the Bank's financial reports; making judgmental reports on the truthfulness, completeness and accuracy of the information in the audited financial statements of the Bank and submitting them to the Board of Directors for consideration.

The Finance and Internal Control Supervision Committee of the Bank's Board of Supervisors is responsible for drawing up work plans and implementation plans for the finance and internal control supervision of the Board of Supervisors, submitting the plans to the Board of Supervisors and organizing the implementation after approval by the Board of Supervisors; supervising and inspecting the Bank's financial statements and making recommendations to the Board of Supervisors; drawing up the plans for supervision and inspection of the Bank's financial activities, internal control of the Board of Supervisors, submitting the plans to the Board of Supervisors and organizing the implementation after approval by the Board of Supervisors.

Internal Supervision

Role of Audit and Compliance Committee of the Board of Directors

For details, please refer to "Corporate Governance Report — Operation of Corporate Governance — Board of Directors".

Role of the Board of Supervisors

For details, please refer to "Report of the Board of Supervisors".

Internal Audit

Structure of Internal Audit

We have established an audit department that is accountable to and shall report to the Board of Directors and its Audit and Compliance Committee. The audit institution is under the guidance of and shall report the audit results to the Board of Supervisors and the Senior Management. It conducts the audits and evaluations of operation management, business practices, and business performance across the Bank based on the risk-oriented principles. It consists of the Audit Office at the Head Office and ten regional offices. The Audit Office at the Head Office is responsible for the organization, management and reporting of audit work across the Bank. The regional offices under the Audit Office are responsible for internal audit of their respective branches, and shall be accountable to and report to the Audit Office. Besides, independent internal audit functions are instituted in the overseas operation institutions and the subsidiaries of integrated operations.

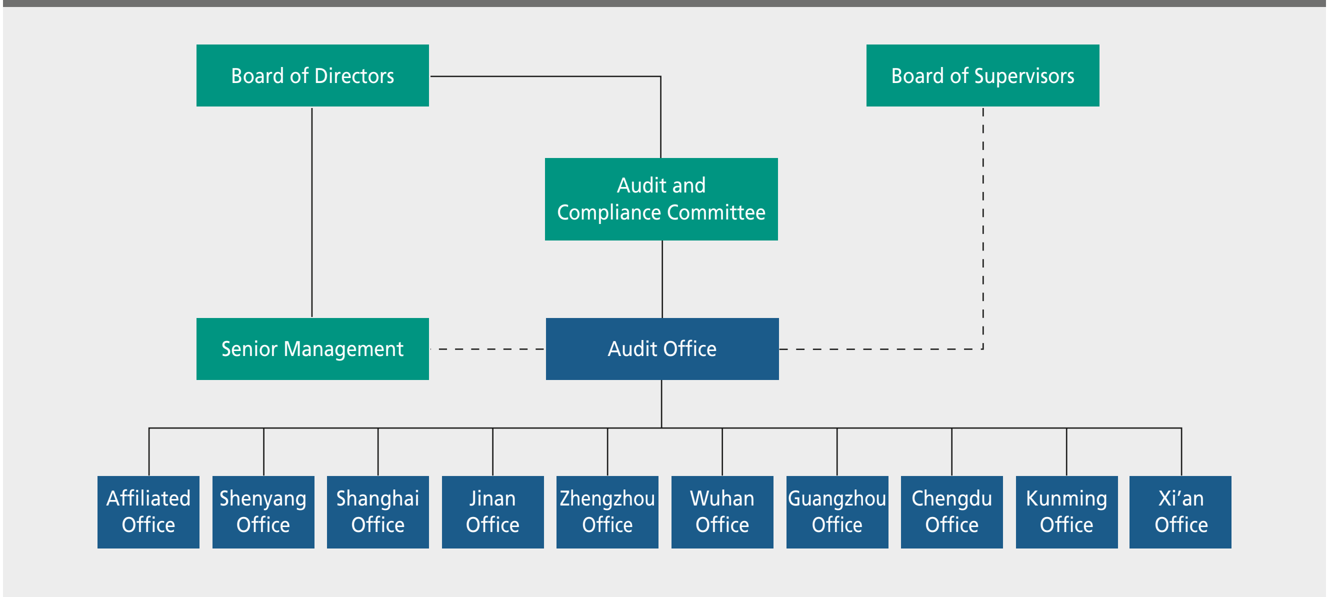
Operation of Internal Audit

During the reporting period, in accordance with the strategic decisions of the Board of Directors and the external regulatory requirements, based on the risk-oriented principles, we carried out the risk management audit with a focus on key areas such as serving rural revitalization, serving real economy, credit business, internal control and prevention of cases of violations, and financial compliance. We conducted specific audits on various aspects, including anti-money laundering, consumers' interests protection, information technology management, real estate loans, integrated operations and consolidated management, credit card business, asset management business, IT outsourcing and supplier management, and cyber security. The audit for overseas institutions was steadily promoted. We standardized the implementation of audit on economic responsibilities of Senior Management. We carried out practical supervision of the rectification of problems identified during our internal and external audit. We continuously promoted the digital transformation of audit, intensified off-site monitoring efforts and strengthened audit team building to effectively facilitate the implementation of strategic decisions, the improvement of our basics of management and the steady growth of business across the Bank.

Audit Recommendations

During the reporting period, our audit institution put forward the audit recommendations in the areas such as internal control and prevention of cases of violations, finance and accounting, credit, information technology management, and cyber security. Attaching great importance to the various audit findings and audit recommendations, we formulated the rectification measures in a timely manner, implemented the rectification requirements and audit recommendations, to ensure the problems identified in the audit were effectively rectified.

The chart of organizational structure of internal audit of the Bank



External Audit

Information on External Auditors

The consolidated financial statements of the Group for 2023 prepared in accordance with CASs and IFRSs have been audited by KPMG Huazhen LLP[1] and KPMG[2] (collectively, the "KPMG"), respectively, in accordance with the China Standards on Auditing and International Standards on Auditing, on both of which the unqualified audit report were issued. KPMG Huazhen LLP also implemented audit procedures and issued audit opinions on the effectiveness of the Group's internal control of financial statements.

The external auditors regularly attended the meetings of the Audit and Compliance Committee of the Board of Directors to communicate the audit plans, major audit findings, etc. The external auditors put forward the findings related to our internal control and the management recommendations on optimization of our business management and issued the management recommendations letters. The external auditors reported to the Audit and Compliance Committee of the Board of Directors as well as the Finance and Internal Control Supervision Committee of the Board of Supervisors. The external auditors evaluated the implementations of the findings related to internal control and the management recommendations.

Independence of External Auditors

The external auditors reported to the Audit and Compliance Committee of the Board of Directors on compliance with the code of professional ethics related to independence in accordance with the requirements of Communication with Those Charged with Governance in the International Standards on Auditing and Chinese Certified Public Accountants Auditing Standards. In providing audit and non-audit services, the external auditors of the Bank followed the International Code of Ethics for Professional Accountants (including International Independence Standards), the Chinese Code of Professional Ethics for Certified Public Accountants, relevant regulatory requirements and KPMG's own strict independence policy to ensure their independence in both form and substance.

External Auditors' Engagement and Remuneration

As approved by the 2022 Annual General Meeting of the Bank, we engaged KPMG as our 2023 accounting firm. Wherein, KPMG Huazhen LLP is responsible for providing audit service for the financial statements of the Bank prepared in accordance with CASs and for internal control, while KPMG is responsible for providing audit service for the consolidated financial statements of the Bank prepared in accordance with IFRSs. The partner of the external audit project of the Bank is SHI Jian, and the undersigned certified accountants are SHI Jian and HUANG Aizhou (PRC Standards), and Wong Yuen Shan (International Standards). The accounting firm, partner of the audit project and the undersigned certified accountants all began providing audit services for the Bank from 2021 and have served the Bank for three years.

In 2023, a total fee of RMB91,064.6 thousand was paid to KPMG by us for the Group's financial statements audit service, including RMB7,285.2 thousand for the internal control audit service. In 2023, a total fee of RMB20,963.0 thousand was paid to KPMG and its network member firms by us for providing the financial statement audit service to our subsidiaries and overseas branches. In 2023, a total fee of RMB4,602.0 thousand was paid to KPMG and its network member firms by us for providing the non-audit professional services including bond issuance and tax compliance service.

1 *KPMG Huazhen LLP is Recognized Public Interest Entity Auditor under Financial Reporting Council Ordinance in Hong Kong.*
2 *KPMG is Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance in Hong Kong.*

Communication with Stakeholders

Communication with Shareholders

Information Disclosure

The Chairman of the Board of Directors of the Bank shall assume primary responsibility for the management of information disclosure affairs. The Secretary to the Board of Directors is responsible for organizing and coordinating information disclosure affairs. We have established an information disclosure institutional system covering the basic system, administrative measures and operating procedures, complying with the regulatory requirements for listed companies. We actively implemented the latest regulatory disclosure requirements, enhanced the ESG information disclosure, and laid stress on information disclosure of the strategy implementation and the operational highlights, and actively responded to key issues of concern to investors so as to continuously improve the quality and effectiveness of information disclosure. In 2023, the Bank disclosed 298 documents on the Shanghai Stock Exchange and the Hong Kong Stock Exchange in aggregate, and the assessment of our information disclosure by the Shanghai Stock Exchange was "A".

During the reporting period, we had no rectification for any material accounting errors, no omission of material information, no amendment required for any preliminary results announcement or other matters.

We continued to strengthen the management of inside information and enhance the compliance awareness of the insiders. We also carried out annual self-examination on inside trading and registration and filling for the insiders.

Investor Relations

Results announcement conferences: We convened four results announcement conferences for 2022 annual results, 2023 first quarterly results, 2023 interim results and 2023 third quarterly results.

Investor and analyst meetings: We organized nearly one hundred investor and analyst meetings in various forms including on-site meeting and teleconference, covering leading investment and research institutions in the market, at which hot topics in the market were communicated deeply.

Online Q&A: We replied to investors' enquiries on the Shanghai Securities E-platform regularly.

Capital market summits: We participated in nearly 20 capital market summits.

Communication at the shareholders' general meetings: We communicated with the shareholders at the 2022 annual general meeting and 2023 first extraordinary general meeting.

Other communication with investors: We continued to answer calls on the investors' hotline and reply the IR email to answer investors' enquiries.

Contact details: If investors have any enquiries, or if shareholders have any suggestions, enquiries or proposals, please contact:

The Team of Investor Relationship Management under the Office of the Board of Directors of Agricultural Bank of China Limited

Address: No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, China
Tel: 86-10-85109619
Fax: 86-10-85126571
E-mail: ir@abchina.com

The Bank has reviewed the Shareholders' communication policies above and their implementation during the year, and believes that such policies were adequate and effective in investors' protection.

Communication with Customers

For details, please see "Discussion and Analysis — Business Review".

Communication with Employees, Communities, Suppliers and Other Stakeholders

For details, please see the *2023 Corporate Social Responsibility Report (ESG Report)* of the Bank published separately.

Communication with Lawyers

We applied the lawyer witness system for the shareholders' general meetings, for which lawyers have issued their legal opinions. The lawyers put forward compliance opinions on our information disclosure documents and important issues in relation to corporate governance.

Communication with External Auditors

For details, please see "Corporate Governance Report — External Audit".

Other Information on Corporate Governance

Corporate Governance Code

Save as disclosed in this annual report, we fully complied with all the principles and code provisions, and almost all the recommended best practices of the *Corporate Governance Code* set out in Appendix C1 to the Hong Kong Listing Rules during the reporting period.

The Board of Directors actively performed its corporate governance duties, continuously refined the relevant systems for corporate governance, and continuously assessed and improved our corporate governance. The special committees under the Board of Directors performed their duties strictly in accordance with the applicable requirements of corporate governance.

Assessment of Corporate Governance

During the reporting period, the Bank carried out the self-assessment of its corporate governance system and construction in accordance with the requirements of the NFRA in eight areas, including Party leadership, governance of shareholders, governance of related party transactions, governance of the Board of Directors, governance of the Board of Supervisors and the senior management, risk and internal control, market constraints and governance of stakeholders, and accepted the regulatory assessment of the NFRA in respect of corporate governance.

Significant Changes to the Articles of Association

On 7 March 2024, the NFRA approved the amended Articles of Association of the Bank. Please refer to the full texts of the amended Articles of Association on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk).

Securities Transactions by Directors and Supervisors

The Bank has adopted a code of conduct for securities transactions by Directors and Supervisors with terms no less strictly than those set out in the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix C3 to the Hong Kong Listing Rules. The Directors and Supervisors of the Bank have confirmed that they have complied with such code of conduct throughout the year ended 31 December 2023.

Corporate Culture

For details, please see the *2023 Corporate Social Responsibility Report (ESG Report)* of the Bank published separately.

Principal Business and Business Review

Our principal business is to provide banking and related financial services. Details of our business operations and business review as required by Schedule 5 to the *Companies Ordinance* of Hong Kong are set out in relevant sections including "Discussion and Analysis", "Information on Environmental, Social and Governance", "Corporate Governance Report", "Significant Events", "Notes to the Consolidated Financial Statements" and this "Report of the Board of Directors".

In particular, please refer to "Business Review" and "Risk Management" under "Discussion and Analysis" and "Risk Governance" under "Corporate Governance Report" for our business review, discussion and analysis of the performance for the reporting year, principal risks and uncertainties faced by us and future business development. Please refer to "Discussion and Analysis — Financial Statement Analysis" for the analysis of the financial key performance indicators. Please refer to "Information on Environmental, Social and Governance" for the environmental and social performance and policies of the Bank. Please refer to "Discussion and Analysis — Risk Management" and "Corporate Governance Report — Internal Control" for the compliance with the relevant laws and regulations that would have a significant impact on the Bank. Please refer to "Business Review — Human Resources Management and Institution Management" under "Discussion and Analysis", "Information on Environmental, Social and Governance" and "Communication with Stakeholders" under "Corporate Governance Report" for the Bank's relationships with its employees, clients and shareholders.

Major Customers

For the year ended 31 December 2023, the interest income and other operating income from the five largest customers of the Bank accounted for no more than 30% of the interest income and other operating income of the Bank.

Share Capital and Public Float

At 31 December 2023, our total share capital of ordinary shares amounted to 349,983,033,873 shares, including 319,244,210,777 A Shares and 30,738,823,096 H Shares. At the date of this annual report, we maintained sufficient public float in compliance with the minimum requirement of the Hong Kong Listing Rules and the waiver granted by the Hong Kong Stock Exchange upon our listing.

Purchase, Sale or Redemption of the Bank's Shares

For the year ended 31 December 2023, neither the Bank nor its subsidiaries purchased, sold or redeemed any of its listed shares.

Pre-emptive Rights

There is no mandatory provision in relation to pre-emptive rights in the Articles of Association. According to the Articles of Association, we are entitled to increase the registered capital by issuing shares through public or non-public offering, allotting new shares to the existing shareholders (except holders of our preference shares), transferring the capital reserve funds to increase share capital and through other methods as permitted by laws, administrative regulations and relevant authorities.

Equity-linked Agreement

We issued preference shares "農行優1" (stock code: 360001) and "農行優2" (stock code: 360009) on 31 October 2014 and 6 March 2015, respectively.

We set the events triggering mandatory conversion of the preference shares "農行優1" and "農行優2" into ordinary A Shares, respectively, in accordance with relevant regulations, including:

(i) If our Common Equity Tier 1 ("CET1") capital adequacy ratio decreases to 5.125% (or below), the preference shares will be fully or partially converted into ordinary A Shares, in order to restore our CET1 capital adequacy ratio to above 5.125%.

(ii) All preference shares issued will be converted into ordinary A Shares upon the earlier occurrence of the following two situations:

(a) the NFRA is of the view that we can no longer subsist if the preference shares are not converted;

(b) relevant authorities consider that we could not subsist without capital injection from public sector or any support to the same effect.

If any of the triggering events above happens and all of preference shares "農行優1" and "農行優2" are mandatorily converted into ordinary A Shares at the conversion price, the number of ordinary A Shares upon conversion will not exceed 32,520,325,204 shares. No events have happened so far which would trigger the mandatory conversion of the preference shares "農行優1" or "農行優2" into ordinary A Shares.

During the reporting period, except for the above disclosure, we did not enter into, nor did there subsist, any other equity-linked agreement.

Profits and Dividends Distribution

The Board of Directors proposed distribution of cash dividends of RMB2.309 (tax inclusive) for each ten shares of 349,983,033,873 ordinary shares for 2023 with a total amount of approximately RMB80,811 million (tax inclusive). The distribution plan will be submitted for approval at the 2023 Annual General Meeting. Please refer to "Corporate Governance Report — Shareholding Structure — Particulars of Ordinary Shares" for details.

The Dividends Distribution Policy and Implementation of the Cash Dividend Policy

Please refer to "Corporate Governance Report — Shareholding Structure — Particulars of Ordinary Shares" for details.

Reserves

Details of the changes of reserves for the year ended 31 December 2023 are set out in "Consolidated Statement of Changes in Equity" in the Consolidated Financial Statements.

Financial Summary

Summary of operating results, assets and liabilities for the five years ended 31 December 2023 is set out in "Basic Corporate Information and Major Financial Indicators".

Donations

During the year ended 31 December 2023, our external donations (domestic) amounted to RMB111.75 million.

Property and Equipment

Details of the changes of property and equipment for the year ended 31 December 2023 are set out in "Note IV. 21 Property and equipment to the Consolidated Financial Statements".

Employee Benefit Plans

For details of employee benefit plans, please refer to "Note IV. 31 Other Liabilities (1) Staff costs payable to the Consolidated Financial Statements". Same as previous years, there was no forfeited contribution available to reduce the contribution payable by the Bank under the defined contribution schemes for 2023.

Management Contracts

Except for the service contracts with our management personnel, we have not entered into any contract with any person, company or legal entity to manage or handle the whole or any material part of its businesses.

Directors' and Supervisors' Interests in Material Transactions, Arrangements or Contracts

For the year ended 31 December 2023, none of our Directors or Supervisors or parties related to such Directors and Supervisors had any material interests, either directly or indirectly, in any material transaction, arrangement or contract regarding our business to which the Bank or any of its subsidiaries, the controlling shareholders of the Bank or any of their subsidiaries was a party. None of our Directors or Supervisors has entered into any service contract with the Bank or any of its subsidiaries, pursuant to which the Bank needs to pay compensation (other than statutory compensation) for terminating the contract within one year.

Directors' Interests in Competing Businesses

None of our Directors held any interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Bank.

Rights of Directors and Supervisors to Acquire Shares or Debentures

For the year ended 31 December 2023, the Bank did not grant any rights to acquire shares or debentures to any Directors or Supervisors, nor was any of such rights exercised by any Directors or Supervisors. Neither the Bank nor its subsidiaries entered into any agreements or arrangements enabling the Directors or Supervisors to obtain benefits by acquiring shares or debentures of the Bank or any other corporations.

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

None of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the *Securities and Futures Ordinance of Hong Kong*) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the *Securities and Futures Ordinance of Hong Kong* (including interests and short positions deemed to be owned by them under such provisions of the *Securities and Futures Ordinance of Hong Kong*), or any interests or short positions which were required to be recorded in the register referred to in Section 352 of the *Securities and Futures Ordinance of Hong Kong*, or any interests or short positions which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix C3 to the Hong Kong Listing Rules. For the interests and short positions of substantial shareholders of the Bank and other persons, please refer to "Corporate Governance Report — Shareholding Structure — Particulars of Ordinary Shares".

Remuneration of Directors, Supervisors and Senior Management Members

We have made specific rules on remuneration of the Directors, Supervisors and senior management members, and continuously improve performance assessment system and incentive & constraint mechanism of the Directors, Supervisors and senior management members. In the performance appraisal of the senior management members by the Board of Directors, requirements such as supporting the real economy, developing green finance, preventing and controlling financial risks, deepening financial system reform, and performing social responsibility are included in the review assessment. The appraisal results will be the important basis for determining the annual performance salary of the senior management members. The remuneration of Chairman of the Board of Directors, President and other persons in charge shall be implemented in line with the relevant policy of the state on the remuneration reform of persons in charge of central enterprises. The remuneration consists of the annual basic salary, the annual performance salary and the tenure incentive income linked to the tenure assessment. The remuneration of the senior management members shall be reviewed and approved by the Board of Directors and the remuneration of Directors and Supervisors shall be considered and approved by the Shareholders' General Meeting. For details of the remuneration standards, please refer to "Corporate Governance Report — Directors, Supervisors and Senior Management — Remuneration of Directors, Supervisors and Senior Management". We did not formulate any share incentive plan for the Directors, Supervisors and senior management members.

Permitted Indemnity Provisions

According to the Articles of Association, we will undertake the civil liability arising from the discharge of the duties of our Directors, Supervisors and senior management members to the largest extent permitted by, or unless prohibited by, the applicable laws and administrative regulations, except that such Directors, Supervisors and senior management members were proven to have failed to perform their duties honestly or in good faith. We have maintained liability insurance for potential liabilities that may arise from the indemnification clams against the misconducts of the Directors, Supervisors and senior management members.

During the reporting period, we have renewed the liability insurance for our Directors, Supervisors and senior management members.

Financial, Business and Family Relationship among Directors

The Directors had no relationship, including financial, business, familial or other material relationships, with each other.

Use of Proceeds

All the proceeds raised were used to strengthen our capital base to support the future development of our business as disclosed in the prospectus, offering documents and other documents.

Significant Projects Invested by Non-raised Capital

For the year ended 31 December 2023, we had no significant projects invested by non-raised capital.

Issued Debentures

For details of issued debentures during the reporting period, please refer to "Note IV. 30 Debt Securities Issued to the Consolidated Financial Statements".

Subsidiaries

Particulars of our principal subsidiaries at 31 December 2023 are set out in "Discussion and Analysis — Business Review".

Related Party Transactions

Please refer to "Corporate Governance Report — Related Party Transactions and Intra-group Transactions".

Auditors

Please refer to "Corporate Governance Report — External Audit".

Members of the Board of Directors

As at the date of this Report of the Board of Directors, the Board of Directors of the Bank includes:

Executive Directors, namely Mr. GU Shu, Mr. ZHANG Xuguang and Mr. LIN Li;

Non-executive Directors, namely Ms. ZHOU Ji, Mr. LI Wei, Mr. LIU Xiaopeng, Mr. XIAO Xiang and Mr. ZHANG Qi;

Independent Non-executive Directors, namely Mr. HUANG Zhenzhong, Ms. LEUNG KO May Yee, Margaret, Mr. LIU Shouying, Mr. WU Liansheng and Mr. WANG Changyun.

By Order of the Board of Directors

GU Shu
Chairman of the Board of Directors
28 March 2024

Report of the Board of Supervisors

Work of the Board of Supervisors

In 2023, the Board of Supervisors of the Bank implemented the financial regulatory requirements and corporate governance regulations, innovated its supervisory methods, improved its supervisory mechanism, earnestly fulfilled its supervisory duties, and completed its work well throughout the year.

The Board of Supervisors monitored the progress and effectiveness of key tasks in line with the decisions and plans of the CPC Central Committee and the State Council and the functional positioning of the Bank in modern financial system with Chinese characteristics. Focusing on the Bank's primary responsibility and core business of serving Sannong, it monitored the strengthening of financial supply, and the improvement of service quality and efficiency. It carried out supervision and assessment of the Bank's services to Sannong, organized comprehensive research on financial services for rural revitalization and made work recommendations to help the Sannong services reach a new level. Focusing on the playing of the role as a major bank serving the real economy, it monitored the comprehensive provision of high-quality financial services to support the recovery and growth of real economy. It consistently observed and analyzed the services for real economy and conducted supervision and assessment on the implementation of the green financial development strategy so as to facilitate an orderly, vigorous and effective implementation of the Bank's green finance development plans. It monitored the establishment of risk defense lines in all respects, paid close attention to risks in key areas, strengthened risk monitoring and analysis, and put forward targeted supervision suggestions to facilitate the prevention and mitigation of financial risks. It monitored the compliance with the rectification requirements from regulatory authorities and the rectification of problems found in internal and external inspections to facilitate the Bank's deepening of systemic and foundational rectification and enhance the effectiveness of rectification measures.

The Board of Supervisors facilitated and better ensured development and security, and conducted in-depth supervisory research. It carried out a special supervisory survey on information and data security, and proposed measures and suggestions. The senior management attached great importance to this report and effectively implemented the proposed measures and suggestions. It conducted specific research on personal information protection to provide valuable insights and references for the compliance management in terms of personal information protection within the Bank and to promote consumers' interests protection.

The Board of Supervisors deepened regular supervision in close alignment with its role positioning to continuously perform its functions as a governance body. It enhanced the timeliness and comprehensiveness of supervision on duty performance, established a solid foundation for performance evaluation, further improved the mechanism of daily supervision on duty performance, and orderly completed the annual performance evaluation for the Board of Directors, the Board of Supervisors and the senior management and their respective members. It advanced the targeted and regular financial supervision, monitored the significant financial decision-making and implementation of such decisions, the consolidation management and capital management, and the independence and effectiveness of the work of external auditors, to facilitate the laying of a solid foundation for business operations and development. It deepened the supervision on internal control and prevention of cases of violations, conducted annual supervision and evaluation on the improvement of internal control systems and mechanisms, and the fulfillment of internal control responsibilities; paid attention to compliance risk management, monitored operational risks, prevention of risks of cases of violations; monitored compliance management of anti-money laundering and overseas institutions, reputation risk management, to promote the building and functioning of the internal control system.

The Board of Supervisors strengthened its own construction and improved the working mechanism. It further strengthened political guidance, actively aligned with the major strategies, major plans, and major initiatives proposed at the 20th CPC National Congress, continuously deepened its understanding of the political and people-oriented nature of financial work. It improved systems and mechanisms, standardized supervisory procedures, established a solid foundation for supervision, leveraged the expertise of supervisors, continuously enhanced performance capabilities, and as a result, achieved positive outcomes.

Annual Due Diligence Evaluation of Directors, Supervisors and Senior Management Members by the Board of Supervisors

In accordance with regulatory requirements and the *Measures on Performance Evaluation for Directors, Supervisors and Senior Management (Provisional)* of the Bank, the Board of Supervisors of the Bank closely combined the supervision of daily performance and the assessment of annual performance, regularly collected and analyzed various types of information on the performance of the Directors, Supervisors and senior management members, compiled regular dynamics with respect to performance supervision, and carried out the assessment of annual performance in a standardized and orderly manner. The Board of Supervisors formulated a plan for 2023 annual due diligence evaluation, clarified the scope of evaluation, evaluation procedures and evaluation focuses, organized and implemented evaluation sessions such as performance questionnaires, self-evaluation and mutual evaluation for Directors, Supervisors as well as self-evaluation for senior management, Supervisors' evaluation of the performance of Directors and senior management members. On this basis, the Board of Supervisors closely focused on and evaluated the performance of the Board of Directors, the Board of Supervisors and the Senior Management and their members in areas such as implementing the decisions and plans of the CPC Central Committee, serving the real economy, preventing and controlling financial risks, and deepening financial reform and pushing forward the high-quality development, and evaluated the effectiveness of the performance of the Directors, Supervisors and senior management members in terms of the dimensions of diligence, faithfulness, professionalism, compliance, and independence, in combination with the job requirements and performance of different types of the Directors, Supervisors and senior management members, formulated due diligence evaluation report of the Directors, the Supervisors and the senior management, and assessed due diligence levels. In 2023, a total of 26 Directors, Supervisors and senior management members were included in the scope of evaluation, and their due diligence evaluation results were all competent.

Independent Opinions of the Board of Supervisors

Operation Compliance

During the reporting period, the Bank strictly adhered to operation compliance in accordance with applicable laws and regulations, and continued to optimize the internal control system. The Directors and the senior management members performed their duties diligently. The Board of Supervisors did not find any act by the Directors and the senior management members in performing their duties that might breach the laws, regulations and the Articles of Association or impair the interests of the Bank.

Annual Report

The preparation and review procedures of this annual report are in compliance with laws, administrative regulations and regulatory requirements. The annual report gives a true, accurate and complete view of the consolidated financial position and operating results of the Group.

Information Disclosure

During the reporting period, the Bank conscientiously implemented the relevant policies and measures on information disclosure, performed the duties of the information disclosure and disclosed the information in a true, accurate and complete manner, without any false report, misleading statement or material omission.

County Area Banking Business

During the reporting period, the Bank's County Area Banking Division operated in compliance with the external regulatory requirements.

Asset Acquisition and Disposal

During the reporting period, the Board of Supervisors did not find any insider trading or any act which might result in the impairment of the interests of the shareholders or loss of our assets in the process of asset acquisition or disposal by the Bank.

Related Party Transactions

During the reporting period, the Board of Supervisors did not find any act in the related party transactions that might result in the impairment of the interests of the Bank.

Internal Control

The Board of Supervisors had no objection to the conclusion of the *2023 Internal Control Assessment Report of Agricultural Bank of China Limited*.

Due Diligence Evaluation of Directors, Supervisors and Senior Management Members

The annual due diligence evaluation results of the Directors, Supervisors and senior management members are competent.

Saved as disclosed above, the Board of Supervisors had no objection to other matters subject to its supervision during the reporting period.

The Board of Supervisors
of Agricultural Bank of China Limited
28 March 2024

Commitments

Subject of Commitment	Commitments	Details of commitment	Date of commitment	Due date of commitment	Performance up to date
Huijin	Non-competition commitment	(1) So long as Huijin continues to hold any of our shares or is deemed to be a controlling shareholder or a connected person of a controlling shareholder or de facto controller of the Bank in accordance with the laws or listing rules of China or of the place where our shares are listed, it will not engage or participate in any competing commercial banking activities in China or abroad. If Huijin engages or participates in any competing commercial banking activities or activities which evolve into competing commercial banking activities in China or abroad, it will immediately cease to participate in, manage or engage in such competing commercial banking activities. (2) If Huijin obtains any governmental approval, authorization or license to operate commercial banking activities directly, or obtains any other opportunities to operate commercial banking activities, Huijin will immediately relinquish such approval, authorization or license, and will not operate any commercial banking activities. (3) Notwithstanding the above provisions (1) and (2), Huijin, as a state-owned investment vehicle established by the PRC government to invest in financial/banking industry, may through its investments in other companies and in any form (including but not limited to its wholly-owned entities, joint ventures, contractual joint ventures, or through its direct or indirect ownership of shares or other interests in such companies), operate or participate in any competing commercial banking activities in China or abroad. (4) Huijin, as a state-owned investment vehicle established by the PRC government to invest in financial/banking industry, will treat its investments in commercial banks on an equal footing, and will not confer upon any commercial banks any governmental approval, authorization or license to operate commercial banking activities or any business opportunities it obtains or may obtain, nor will it take advantage of its status as a holder of our shares or the information obtained by virtue of such status to make decisions or judgments against us or in favor of other commercial banks in which it invests, and will avoid such circumstances' arising. It will exercise its shareholder's rights in our maximum or best interests as if we were its sole investment in a commercial bank, and will exercise its commercial judgment as our shareholder to maximize our best interests, and such judgment shall not be affected by its investments in other commercial banks.	15 July 2010	Valid for long time	Continuous commitment and duly performed

Note: 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. At 31 December 2023, the SSF strictly fulfilled the above commitment, and there was no violation of the commitment.

Material Litigations and Arbitrations

During the reporting period, there was no litigation or arbitration with material impact on our operations.

At 31 December 2023, the value of the claims of the pending litigation or arbitration in which the Bank was involved as a defendant, a respondent or a third party amounted to approximately RMB3,974 million. The management believes that the Bank has made full provision for potential losses arising from the aforesaid litigation or arbitration, and they will not have any material adverse effect on our financial position or operating results.

Material Equity Investments Obtained and Material Non-equity Investments in Progress

During the reporting period, we did not have any material equity and non-equity investment required to be disclosed.

Miscellaneous

Major Asset Acquisition, Disposal and Merger by Absorption

During the reporting period, we did not carry out any major asset acquisition, disposal or merger by absorption.

Implementation of Share Incentive Plan

During the reporting period, we did not implement any share incentive schemes such as share appreciation rights scheme for the management or employee share ownership scheme.

Material Related Party Transactions

During the reporting period, we did not enter into any material related party transaction.

Material Contracts and Their Performance

Material custody, contract and lease

During the reporting period, we did not enter into any material custody, contracting or leasing arrangements on the assets of other companies, which were subject to disclosure or no other companies entered into any custody, contracting or leasing arrangements on our assets, which were subject to disclosure.

Material Guarantees

Provision of guarantees is one of our off-balance-sheet businesses in our usual course of business. During the reporting period, we did not have any material guarantees required to be disclosed, except for the financial guarantee services within the business scope as approved by the PBOC and the NFRA.

External Guarantee

During the reporting period, the Bank did not enter into any guarantee contracts in violation of laws, administrative regulations or the external guarantee resolution procedures stipulated by the CSRC.

Major Centralized Procurement

During the reporting period, there was no centralized procurement which had material impact on our cost and expenses.

Misappropriation of the Bank's Funds by Controlling Shareholders and Other Related Parties for Non-operating Purposes

None of our controlling shareholders or other related parties misappropriated any of the Bank's funds for non-operating purposes. KPMG Huazhen LLP issued the *Special Statement on the Fund Occupation without Operating Purpose and other Fund Transfer between Related Parties of Agricultural Bank of China Limited for the Year of 2023*.

Penalties Imposed on the Bank and its Directors, Supervisors, Senior Management Members and Controlling Shareholders

During the reporting period, we were not under investigation in accordance with the law for suspected crimes, and the controlling shareholders, Directors, Supervisors and senior management members of the Bank were not subject to compulsory measures in accordance with the law for suspected crimes; the Bank or its controlling shareholders, Directors, Supervisors and senior management members have not been subject to any criminal punishment, nor have they been subject to any investigation by the CSRC or administrative punishment by the CSRC for suspected violation of laws or regulations, and have not been subject to any material administrative punishment by other competent authorities; none of the controlling shareholders, Directors, Supervisors and senior management members of the Bank has been subject to detention by the disciplinary inspection and supervision authorities for suspected serious violations of disciplines or laws, or duty-related crimes, which may affect their performance of duties; the Directors, Supervisors and senior management members of the Bank have not been subject to compulsory measures by other competent authorities due to suspected violation of laws and regulations, which may affect their performance of duties.

Integrity of the Bank and Controlling Shareholders

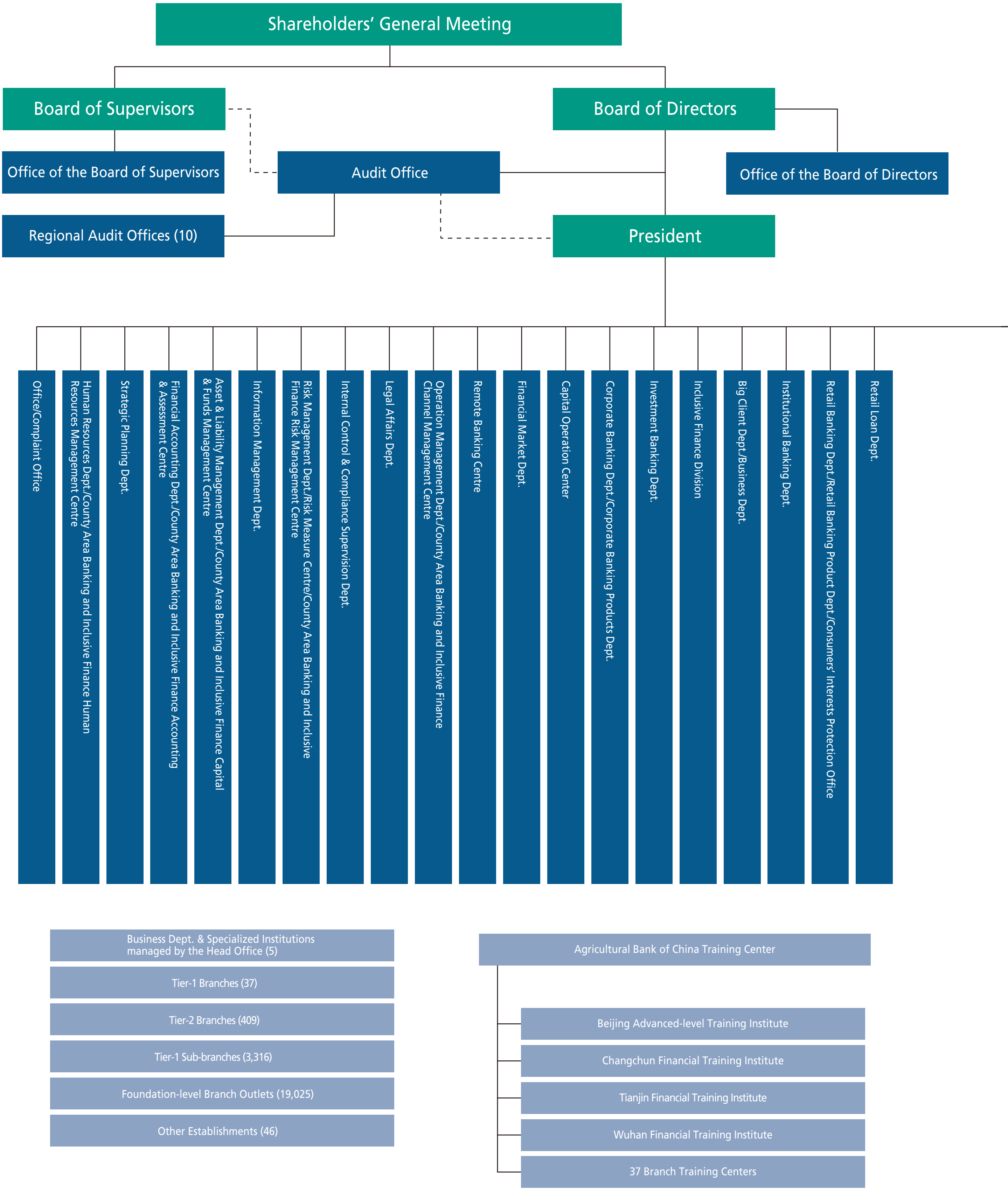
There was no circumstance where we or our controlling shareholders have failed to fulfill an effective court judgment or repay any outstanding debt of a significant amount that matured.

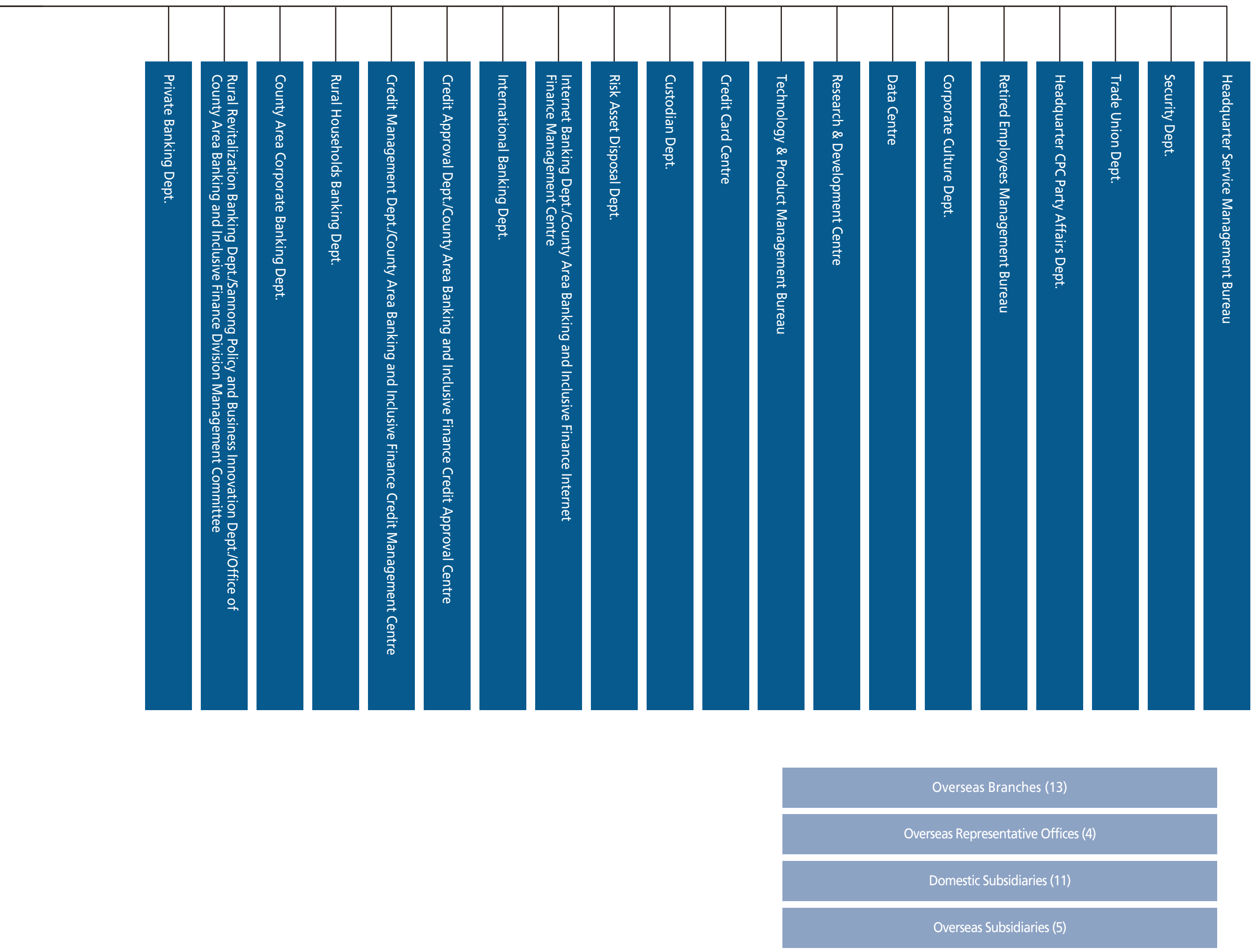
Honors and Awards

Organizations	Honors and Awards
China Association for Public Companies	2023 Board of Directors Best Practice Cases Among Listed Companies "Results Presentation Best Practice Cases Among Listed Companies" "2023 ESG Best Practice Cases Among Listed Companies"
China Central Television	"China ESG Listed Companies Pioneer 100" "2023 China Excellent ESG Practice" Top Ten "China ESG Model"
Directors & Boards	"Special Contribution Award for Corporate Governance" in the 18th Golden Round Table Award for the Board of Directors of Chinese Listed Companies
China Banking and Insurance Media Company Limited	Influential Brand of the Year among Chinese Financial Institutions
China Council for Brand Development	Brand Value Leader
Hong Kong Commercial Daily	Professional Comprehensive Banking Service Award
Southern Weekly	2023 ESG Competitive Enterprise "Special Contribution in China Corporate Social Responsibility for 20 Years" 2023 Video Marketing Case Top 1 on the Banking List of Golden Benchmark Financial Institution of the Year — Data Security Ranking Top 10 on the Banking List of Golden Benchmark Financial Institution of the Year — New Financial Competitiveness Ranking New Financial Innovation Case of the Year 2023 Public Welfare Contribution 2023 Low-Carbon Solutions
The Economic Observer	Outstanding Chinese Bank of the Year Green Financial Brand of the Year Private Banking Award of the Year Excellent Retail Bank of the Year Outstanding Mobile Bank of the Year
The Paper	Financial Institution of the Year
China Investment Network	2023 Excellent Bank
China Business Journal	State-Owned Commercial Bank with Outstanding Competitiveness
HeXun	2023 Brand Influence Bank Rural Revitalization Bank of the Year
Jiemian News	Outstanding Commercial Bank of the Year

Organizations	Honors and Awards
Phoenix Satellite Television, ifeng.com	Most Socially Responsible Listed Company in the Selection of "2023 Phoenix Star Best Companies Listed in Hong Kong"
jrj.com.cn	Outstanding Chinese Bank Outstanding Practice for Financial Consumer Protection Outstanding Sannong Services Outstanding Green Finance
Financial Times	Best Commercial Bank of the Year
Financial Money	2023 Comprehensive Strength in Gold Medal Banking and Insurance Channel Business
Global Finance	Best Consumer Credit Bank
National Business Daily	2023 Golden Tripod Awards Excellent Inclusive Finance Award of the Year
CLS	"Topology Award" in the Chinese Financial Industry — Best Investment Bank Award
Caijing	2024 Evergreen Award — Sustainable Development Inclusive Finance Award
Shanghai Securities News	Banking Wealth Management Brand Award of the Year Corporate Social Responsibility Award of the Year
China Fund	Sales Innovation Award
The Banker	2023 Excellent Case in Inclusive Finance Service Innovation 2023 Excellent Case in Retail Banking Innovation 2023 Excellent Case in Digital Wealth Management Innovation 2023 Excellent Case in Rural Revitalization Finance Service Innovation 2023 Excellent Case in Financial Technology Innovation 2023 Excellent Case in Green Finance Innovation 2023 Excellent Case in Transaction Banking Innovation 2023 Excellent Case in Risk Management Innovation
Securities Times	2023 Gamma Award of Inclusive Financial Service Bank
21st Century Business Herald	2023 Outstanding Wealth Management Bank
Xinhua Net	2023 Special Case in Corporate ESG
People.cn	Enterprise of the Year

Organizational Chart




Private Banking Dept.
Rural Revitalization Banking Dept./Sannong Policy and Business Innovation Dept./Office of County Area Banking and Inclusive Finance Division Management Committee
County Area Corporate Banking Dept.
Rural Households Banking Dept.
Credit Management Dept./County Area Banking and Inclusive Finance Credit Management Centre
Credit Approval Dept./County Area Banking and Inclusive Finance Credit Approval Centre
International Banking Dept.
Internet Banking Dept./County Area Banking and Inclusive Finance Internet Finance Management Centre
Risk Asset Disposal Dept.
Custodian Dept.
Credit Card Centre
Technology & Product Management Bureau
Research & Development Centre
Data Centre
Corporate Culture Dept.
Retired Employees Management Bureau
Headquarter CPC Party Affairs Dept.
Trade Union Dept.
Security Dept.
Headquarter Service Management Bureau
Overseas Branches (13)
Overseas Representative Offices (4)
Domestic Subsidiaries (11)
Overseas Subsidiaries (5)

List of Branches and Institutions

Domestic Branches and Institutions

- **BEIJING BRANCH**
ADD: 13 Chaoyangmen North Avenue
Dongcheng District
Beijing 100010
PRC
TEL: 010-68358266
FAX: 010-68353687

- **TIANJIN BRANCH**
ADD: Zeng 6 No. 3 Zijinshan Road
Hexi District
Tianjin 300074
PRC
TEL: 022-23338734
FAX: 022-23338733

- **HEBEI BRANCH**
ADD: 39 Ziqiang Road
Qiaoxi District
Shijiazhuang
Hebei Province 050000
PRC
TEL: 0311-83026132
FAX: 0311-87019961

- **SHANXI BRANCH**
ADD: 33 Southern Inner Ring Road West
Taiyuan
Shanxi Province 030024
PRC
TEL: 0351-6240307
FAX: 0351-4956830

- **INNER MONGOLIA BRANCH**
ADD: 83 Zhelimu Road
Hohhot
Inner Mongolia 010010
PRC
TEL: 0471-6904750
FAX: 0471-6904750

- **LIAONING BRANCH**
ADD: 27 Qingnian North Avenue
Shenyang
Liaoning Province 110013
PRC
TEL: 024-22550004
FAX: 024-22550007

- **JILIN BRANCH**
ADD: 926 Renmin Avenue
Changchun
Jilin Province 130051
PRC
TEL: 0431-80777235
FAX: 0431-82737377

- **HEILONGJIANG BRANCH**
ADD: 131 Xidazhi Street
Nangang District
Harbin
Heilongjiang Province 150006
PRC
TEL: 0451-86209357
FAX: 0451-86216843

- **SHANGHAI BRANCH**
ADD: 9 Yincheng Road
Pudong New District
Shanghai 200120
PRC
TEL: 021-20688888
FAX: 021-68300301

- **JIANGSU BRANCH**
ADD: 357 Hongwu Road
Nanjing
Jiangsu Province 210002
PRC
TEL: 025-84577005
FAX: 025-84573199

- **ZHEJIANG BRANCH**
ADD: 100 Jiangjin Road
Shangcheng District
Hangzhou
Zhejiang Province 310003
PRC
TEL: 0571-87226000
FAX: 0571-87226177

- **ANHUI BRANCH**
ADD: 1888 Chengdu Road
Hefei
Anhui Province 230091
PRC
TEL: 0551-62843475
FAX: 0551-62843573

- **FUJIAN BRANCH**
ADD: 177 Hualin Road
Fuzhou
Fujian Province 350003
PRC
TEL: 0591-88718876
FAX: 0591-87909886

- **JIANGXI BRANCH**
ADD: 339 Zhongshan Road
Nanchang
Jiangxi Province 330008
PRC
TEL: 0791-86693775
FAX: 0791-86693010

- **SHANDONG BRANCH**

ADD: 168 Jingqi Road
Ji'nan
Shandong Province 250001
PRC
TEL: 0531-85858888
FAX: 0531-82056558

- **HENAN BRANCH**

ADD: 16 Outer Ring Road
CBD Zhengdong New District
Zhengzhou
Henan Province 450016
PRC
TEL: 0371-81836850
FAX: 0371-69196724

- **HUBEI BRANCH**

ADD: Block A
66 Zhongbei Road
Wuchang District
Wuhan
Hubei Province 430071
PRC
TEL: 027-87326666
FAX: 027-87326693

- **HUNAN BRANCH**

ADD: 540 Furongzhong Road
Section 1
Changsha
Hunan Province 410005
PRC
TEL: 0731-84300265
FAX: 0731-84300261

- **GUANGDONG BRANCH**

ADD: 425 East Zhujiang Road
Zhujiang New Town
Tianhe District
Guangzhou
Guangdong Province 510623
PRC
TEL: 020-38008888
FAX: 020-38008019

- **GUANGXI BRANCH**

ADD: 56 Jinhu Road
Nanning
Guangxi Autonomous Region 530028
PRC
TEL: 0771-2106111
FAX: 0771-2106035

- **HAINAN BRANCH**

ADD: 11 Guoxing Avenue
Haikou
Hainan Province 570203
PRC
TEL: 0898-66772999
FAX: 0898-66791452

- **SICHUAN BRANCH**

ADD: 666 Tianfu Third Street
Chengdu
Sichuan Province 610000
PRC
TEL: 028-63935039
FAX: 028-85121647

- **CHONGQING BRANCH**

ADD: 1 Jiangbeichengnan Avenue
Jiangbei District,
Chongqing 400020
PRC
TEL: 023-63551188
FAX: 023-63844275

- **GUIZHOU BRANCH**

ADD: West Fourth Tower
Convention and Exhibition Business District
Changling North Road
Guiyang
Guizhou Province 550081
PRC
TEL: 0851-87119657
FAX: 0851-85221009

- **YUNNAN BRANCH**

ADD: 36 Chuanjin Road
Kunming
Yunnan Province 650051
PRC
TEL: 0871-68382856
FAX: 0871-63203408

- **TIBET BRANCH**

ADD: 44 West Jinzhu Road
Lhasa
Tibet 850000
PRC
TEL: 0891-6959822
FAX: 0891-6959822

- **SHAANXI BRANCH**

ADD: 31 Tangyan Road
Gaoxin District
Xi'an
Shaanxi Province 710065
PRC
TEL: 029-88990821
FAX: 029-88990819

- **GANSU BRANCH**

ADD: 108 North Jinchang Road
Lanzhou
Gansu Province 730030
PRC
TEL: 0931-8895082
FAX: 0931-8895040

- **QINGHAI BRANCH**

ADD: 96 Huanghe Road
Xining
Qinghai Province 810001
PRC
TEL: 0971-6145160
FAX: 0971-6141245

- **NINGXIA BRANCH**

ADD: 95 West Jiefang Street
Xingqing District
Yinchuan
Ningxia Autonomous Region 750001
PRC
TEL: 0951-2969773
FAX: 0951-6027430

- **XINJIANG BRANCH**

ADD: 66 South Jiefang Road
Urumqi 830002
PRC
TEL: 0991-2814785
FAX: 0991-2814785

- **XINJIANG PRODUCTION AND CONSTRUCTION CORPS BRANCH**

ADD: 173 South Jiefang Road
Urumqi 830002
PRC
TEL: 0991-2217109
FAX: 0991-2217300

- **DALIAN BRANCH**

ADD: 9 Longmen Street
Shahekou District
Dalian
Liaoning Province 116001
PRC
TEL: 0411-85980060
FAX: 0411-82510654

- **QINGDAO BRANCH**

ADD: 19 Shandong Road
Qingdao
Shandong Province 266071
PRC
TEL: 0532-85802215
FAX: 0532-85814102

- **NINGBO BRANCH**

ADD: 518 East Zhongshan Road
Yinzhou District
Ningbo
Zhejiang Province 315040
PRC
TEL: 0574-83077971
FAX: 0574-87363537

- **XIAMEN BRANCH**

ADD: 98–100 Jiahe Road
Siming District
Xiamen
Fujian Province 361009
PRC
TEL: 0592-5578784
FAX: 0592-5578899

- **SHENZHEN BRANCH**

ADD: 5008 East Shennan Road
Shenzhen
Guangdong Province 518001
PRC
TEL: 0775-36681133
FAX: 0755-25560161

- **BEIJING ADVANCED-LEVEL TRAINING INSTITUTE**

ADD: 5 Hongluo East Road
Huairou District
Beijing 101400
PRC
TEL: 010-60682727
FAX: 010-60682727

- **TIANJIN FINANCIAL TRAINING INSTITUTE**

ADD: 88 South Weijin Road
Nankai District
Tianjin 300381
PRC
TEL: 022-23929135
FAX: 022-23389307

- **CHANGCHUN FINANCIAL TRAINING INSTITUTE**

ADD: 1408 Qianjin Avenue
Chaoyang District
Changchun
Jilin Province 130012
PRC
TEL: 0431-86820201
FAX: 0431-85112800

- **WUHAN FINANCIAL TRAINING INSTITUTE**

ADD: 186 Zhongbei Road
Wuchang District
Wuhan
Hubei Province 430077
PRC
TEL: 027-86783669
FAX: 027-86795502

- **SUZHOU BRANCH**

ADD: 118 Wangdun Road
Suzhou Industrial Park
Suzhou
Jiangsu Province 215028
PRC
TEL: 0512-68355014
FAX: 0512-68240501

• **XIONGAN BRANCH**
ADD: Floor 4-9 Block B Building 4
Xiongan Business Service Center
11 Baita Road
Rongcheng County
Baoding
Hebei Province 071700
PRC
TEL: 0312-6587088
FAX: 0312-6587088

• **ABC-CA FUND MANAGEMENT CO., LTD.**
ADD: 50/F, No. 9 Yincheng Road,
China (Shanghai) Pilot
Free-Trade Zone
Shanghai 200120
PRC
TEL: 021-61095588
FAX: 021-61095556

• **ABC FINANCIAL LEASING CO., LTD.**
ADD: 5–6/F, 518 East Yan'an Road
Huangpu District
Shanghai 200001
PRC
TEL: 021-20686888
FAX: 021-58958611

• **ABC LIFE INSURANCE CO., LTD.**
ADD: 7, 9, 11, 12, 22/F, Building 2,
No. 18B Jianguomen Nei Avenue,
Dongcheng District
Beijing 100005
PRC
TEL: 010-82828899
FAX: 010-82827966

• **ABC FINANCIAL ASSET INVESTMENT CO., LTD.**
ADD: No. 23, Fuxing Road Jia
Haidian District
Beijing 100036
PRC
TEL: 010-85101290
FAX: 010-65287757

• **ABC WEALTH MANAGEMENT CO., LTD.**
ADD: 11/F, Block B,
Minsheng Financial Center
28 Jianguomen Nei Avenue
Dongcheng District
Beijing 100005
PRC
TEL: 010-85101611
FAX: 010-65212368

• **ABC HUBEI HANCHUAN RURAL BANK LIMITED LIABILITY COMPANY**
ADD: Dianchangjianshece Road
Xinhe Town
Hanchuan
Hubei Province 431600
PRC
TEL: 0712-8412338

• **ABC HEXIGTEN RURAL BANK LIMITED LIABILITY COMPANY**
ADD: Jiefang Road Middle Section
Jingpeng Township
Hexigten 025350
PRC
TEL: 0476-5263191
FAX: 0476-5263191

• **ABC ANSAI RURAL BANK LIMITED LIABILITY COMPANY**
ADD: Shop A-02, Jinmingmeidi Community
Yingbin Road
Ansai District
Yan'an
Shaanxi Province 717400
PRC
TEL: 0911-6229906
FAX: 0911-6229906

• **ABC JIXI RURAL BANK LIMITED LIABILITY COMPANY**
ADD: 40 Yangzhi North Road
Jixi County
Xuancheng
Anhui Province 245300
PRC
TEL: 0563-8158913
FAX: 0563-8158916

• **ABC XIAMEN TONG'AN RURAL BANK LIMITED LIABILITY COMPANY**
ADD: No. 185–199 Zhaoyuan Community
Committee Complex Building
Zhaoyuan Road
Tong'an District
Xiamen
Fujian Province 361100
PRC
TEL: 0592-7319223

• **ABC ZHEJIANG YONGKANG RURAL BANK LIMITED LIABILITY COMPANY**
ADD: 1/F, Jinsong Building
Headquarters Center Yongkang
Zhejiang Province 321300
PRC
TEL: 0579-87017378
FAX: 0579-87017378

Overseas Branches and Institutions

- **HONG KONG BRANCH**
ADD: 25/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong, China
TEL: 00852-28618000
FAX: 00852-28660133

- **SINGAPORE BRANCH**
ADD: 7 Temasek Boulevard #30-01/02/03, Suntec Tower 1, 038987, Singapore
TEL: 0065-65355255
FAX: 0065-65387960

- **SEOUL BRANCH**
ADD: 14F Seoul Finance Center, 136, Sejong-daero, Jung-gu, Seoul, 04520, Korea
TEL: 0082-2-37883900
FAX: 0082-2-37883901

- **NEW YORK BRANCH**
ADD: 277 Park Ave, 30th Floor, New York, NY, 10172, USA
TEL: 001-212-8888998
FAX: 001-646-7385291

- **DUBAI INTERNATIONAL FINANCIAL CENTRE (DIFC) BRANCH**
ADD: Office 2901, Level 29, Al Fattan Currency House Tower 2, DIFC, Dubai, 124803, UAE
TEL: 00971-45676900
FAX: 00971-45676910

- **DUBAI BRANCH**
ADD: Office No. 201, Emaar Business Park Building No. 1, Dubai, 336760, UAE
TEL: 00971-45676901
FAX: 00971-45676909

- **TOKYO BRANCH**
ADD: Yusen Building, 2-3-2 Marunouchi, Tokyo, 100-0005, Japan
TEL: 0081-3-62506911
FAX: 0081-3-62506924

- **FRANKFURT BRANCH**
ADD: Ulmenstrasse 37–39, Frankfurt am Main, 60325, Germany
TEL: 0049-69-401255-0
FAX: 0049-69-401255-139

- **SYDNEY BRANCH**
ADD: Level 18, Chifley Tower, 2 Chifley Square, Sydney NSW, 2000, Australia
TEL: 0061-2-82278888
FAX: 0061-2-82278800

- **LUXEMBOURG BRANCH**
ADD: 65, Boulevard Grande-Duchesse Charlotte, 1331, Luxembourg
TEL: 00352-279559900
FAX: 00352-279550005

- **LONDON BRANCH**
ADD: 7/F, 1 Bartholomew Lane, London, EC2N 2AX, UK
TEL: 0044-20-71548300
FAX: 0044-20-73746425

- **MACAO BRANCH**
ADD: Avenida Doutor Mário Soares, No. 300–322, Edifício Finance and IT Center of Macau, 21 andar, em Macau, China
TEL: 00853-8599-5599
FAX: 00853-8599-5509

- **HANOI BRANCH**
ADD: Unit 901–907, 9th Floor, TNR Building, 54A Nguyen Chi Thanh, Lang Thuong Ward, Dong Da District, Hanoi, Vietnam
TEL: 0084-24-39460599
FAX: 0044-24-39460587

- **ABC INTERNATIONAL HOLDINGS LIMITED**
ADD: 16/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong, China
TEL: 00852-36660000
FAX: 00852-36660009

- **CHINA AGRICULTURAL FINANCE CO., LTD.**
ADD: 26/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong, China
TEL: 00852-28631916
FAX: 00852-28661936

- **AGRICULTURAL BANK OF CHINA (UK) LIMITED**
ADD: 7/F, 1 Bartholomew Lane, London, EC2N 2AX, UK
TEL: 0044-20-71548300
FAX: 0044-20-73746425

- **AGRICULTURAL BANK OF CHINA (LUXEMBOURG) LIMITED**

ADD: 65, Boulevard Grande-Duchesse Charlotte, 1331, Luxembourg
TEL: 00352-279559900
FAX: 00352-279550005

- **AGRICULTURAL BANK OF CHINA (MOSCOW) LIMITED**

ADD: Floor 4, Lesnaya Street 5B, Moscow, 125047, Russia
TEL: 007-499-9295599
FAX: 007-499-9290180

- **VANCOUVER REPRESENTATIVE OFFICE**

ADD: Suite 2220, 510 W. Georgia Street, Vancouver, BC, V6B 0M3, Canada
TEL: 001-604-6828468
FAX: 001-888-3899279

- **TAIPEI REPRESENTATIVE OFFICE**

ADD: 3203, No. 333, Keelung Road, Sec.1, Xinyi District, Taipei City, 11012 Taiwan, China
TEL: 00886-2-27293636
FAX: 00886-2-23452020

- **DUSHANBE REPRESENTATIVE OFFICE**

ADD: Huvaydulloev str. 1/2, District Sino, Dushanbe, 734049, Tajikistan
TEL: 00992-446030108

- **SAO PAULO REPRESENTATIVE OFFICE**

ADD: 4/F, No. 86 Sao Tome Road (Corporate Plaza), Vila Olimpia, Sao Paulo, 04551-080, Brazil
TEL: 0055-11-31818526-3102

Appendix I Liquidity Coverage Ratio Information

The Bank disclosed the following information of liquidity coverage ratio in accordance with relevant regulations of NFRA.

Regulatory Requirements of Liquidity Coverage Ratio

In accordance with the *Rules on Liquidity Risk Management of Commercial Banks* issued by NFRA, it is required that the liquidity coverage ratio of commercial banks should be no less than 100%. In addition, in accordance with the *Rules on Disclosure for Liquidity Coverage Ratio Information of Commercial Banks*, commercial banks are required to disclose the liquidity coverage ratio information at the same frequency as the frequency at which they issue the financial report, and starting from 2017, to disclose the simple arithmetic average of the liquidity coverage ratios based on daily data of every quarter and the number of daily data adopted in calculation of such average.

Liquidity Coverage Ratio

The Bank calculated the liquidity coverage ratio in accordance with the *Rules on Liquidity Risk Management of Commercial Banks* and applicable statistical requirements. The average of daily liquidity coverage ratio of the Bank was 123.93% in the fourth quarter of 2023, representing a decrease of 2.97 percentage points over the previous quarter, and 92 numerical values of liquidity coverage ratios were used in calculating such average. Our high-quality liquid assets mainly include cash, excess reserve with the central bank able to be withdrawn under stress conditions, and bonds falling within the Level 1 and Level 2 assets as defined in the *Rules on Liquidity Risk Management of Commercial Banks*.

The averages of the daily liquidity coverage ratio and individual line items over the fourth quarter in 2023 are as follows:

In millions of RMB, except for percentages

No.		Total unweighted value	Total weighted value
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets(HQLA)		7,547,485
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	17,535,424	1,687,675
3	*Stable deposits*	1,317,262	65,859
4	*Less stable deposits*	16,218,162	1,621,816
5	Unsecured wholesale funding, of which:	12,338,871	5,015,852
6	*Operational deposits (excluding those generated from correspondent banking activities)*	3,629,393	892,157
7	*Non-operational deposits (all counterparties)*	8,653,376	4,067,593
8	*Unsecured debt*	56,102	56,102
9	Secured funding		22,687
10	Additional requirements, of which:	2,813,638	1,193,471
11	*Outflows related to derivative exposures and other collateral requirements*	1,057,427	1,057,427
12	*Outflows related to loss of funding on debt products*	38	38
13	*Credit and liquidity facilities*	1,756,173	136,006
14	Other contractual funding obligations	191,796	191,796
15	Other contingent funding obligations	3,573,807	19,410
16	TOTAL CASH OUTFLOWS		8,130,891
CASH INFLOWS			
17	Secured lending (including reverse repos and securities borrowing)	1,222,133	1,222,133
18	Inflows from fully performing exposures	1,668,016	933,850
19	Other cash inflows	1,229,116	1,229,116
20	TOTAL CASH INFLOWS	4,119,265	3,385,099
			Total Adjusted Value
21	Total high-quality liquid assets(HQLA)		5,881,576
22	TOTAL NET CASH OUTFLOWS		4,745,792
23	LIQUIDITY COVERAGE RATIO (%)		123.93%

Appendix II Leverage Ratio Information

As of 31 December 2023, the leverage ratio of the Bank, calculated in accordance with *the Rules for the Administration of the Leverage Ratio of Commercial Banks (amended)* issued by NFRA, was 6.86%, higher than the regulatory requirement.

In millions of RMB, except for percentages

Item	31 December 2023	30 September 2023	30 June 2023	31 March 2023
Tier 1 capital, net	**2,874,949**	2,804,623	2,700,755	2,718,721
Adjusted on-and off-balance sheet assets	**41,914,122**	40,374,763	39,738,910	38,568,788
Leverage ratio	**6.86%**	6.95%	6.80%	7.05%

In millions of RMB

No.	Item	Balance
1	Total consolidated assets	39,872,989
2	Adjustment for consolidation	(148,851)
3	Adjustment for clients' assets	—
4	Adjustment for derivatives	26,372
5	Adjustment for securities financing transactions	7,222
6	Adjustment for off-balance sheet items	2,171,193
7	Other adjustments	(14,803)
8	**Adjusted on-and off-balance sheet assets**	**41,914,122**

In millions of RMB, except for percentages

No.	Item	Balance
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	37,890,204
2	Less: Deductions from Tier 1 capital	(14,803)
3	**Adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)**	**37,875,401**
4	Replacement cost of all derivatives (net of eligible margin)	14,712
5	Potential risk exposure of all derivatives	36,533
6	Gross-up of collaterals deducted from the balance sheet	—
7	Less: Receivables assets resulting from providing eligible margin	—
8	Less: Derivative assets resulting from transactions with the central counterparty when providing clearance services to client	—
9	Notional principal amount of written credit derivatives	—
10	Less: Deductible amounts of written credit derivative assets	—
11	**Derivative assets**	**51,245**
12	Securities financing transaction assets for accounting purpose	1,809,061
13	Less: Deductible amounts of securities financing transaction assets	—
14	Counterparty credit risk exposure for securities financing transactions	7,222
15	Securities financing transaction assets resulting from agent transaction	—
16	**Securities financing transaction assets**	**1,816,283**
17	Off-balance sheet items	6,553,346
18	Less: Adjustments for conversion to credit equivalent amounts	(4,382,153)
19	**Adjusted off-balance sheet items**	**2,171,193**
20	Tier 1 capital, net	2,874,949
21	Adjusted on-and off-balance sheet assets	41,914,122
22	**Leverage ratio**	**6.86%**

The Bank disclosed the following information of net stable funding ratio in accordance with relevant regulations of NFRA.

Regulatory Requirements of Net Stable Funding Ratio

In accordance with the *Rules on Liquidity Risk Management of Commercial Banks* issued by NFRA, it is required that the net stable funding ratio of commercial banks should be no less than 100%. In addition, as required by the *Rules on Disclosure of Net Stable Funding Ratio Information of Commercial Banks,* commercial banks shall disclose the net stable funding ratio information of the latest two quarters in a financial report or on their official websites on a semi-annual basis at least.

Net Stable Funding Ratio

The Bank calculated the net stable funding ratio in accordance with the Rules on *Liquidity Risk Management of Commercial Banks* and applicable statistical requirements. The net stable funding ratio of the Bank in the third quarter of 2023 decreased by 0.9 percentage points to 127.9% as compared to the previous quarter, with a weighted value of RMB26,374.5 billion for available stable funds and a weighted value of RMB20,620.2 billion for required stable funds. In the fourth quarter of 2023, the net stable funding ratio increased by 1.2 percentage points to 129.1% as compared to the previous quarter, with a weighted value of RMB27,373.9 billion for available stable funds and a weighted value of RMB21,210.6 billion for required stable funds.

The net stable funding ratios of the third quarter of 2023 and the fourth quarter of 2023 and all related individual items were set out in the following tables:

Net Stable Funding Ratio of the Third Quarter of 2023

(Unit: In millions of RMB)

No.		Total unweighted value: No maturity	Less than 6 months	6–12 months	Over 1 year	Total weighted value
Available stable funding (ASF) item						
1	Capital	2,788,524	—	—	449,937	3,238,461
2	Regulatory capital	2,788,524	—	—	419,937	3,208,461
3	Other capital instruments	—	—	—	30,000	30,000
4	Retail deposits and deposits from small business customers	7,621,247	10,375,011	129	89	16,292,663
5	Stable deposits	1,916,511	—	—	—	1,820,685
6	Less stable deposits	5,704,736	10,375,011	129	89	14,471,978
7	Wholesale funding	6,392,127	7,966,644	1,328,195	46,564	6,503,573
8	Operational deposits	3,628,469	—	—	—	1,814,234
9	Other wholesale funding	2,763,658	7,966,644	1,328,195	46,564	4,689,339
10	Liabilities with matching interdependent assets	—	—	—	—	—
11	Other liabilities	233	1,939,625	186,851	212,767	339,776
12	NSFR derivative liabilities				-33,583	—
13	All other liabilities and equity not included in the above categories	233	1,939,625	186,851	246,350	339,776
14	Total ASF					26,374,473

Appendix III Net Stable Funding Ratio Information

No.		Total unweighted value: No maturity	Total unweighted value: Less than 6 months	Total unweighted value: 6–12 months	Total unweighted value: Over 1 year	Total weighted value
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					1,124,141
16	Deposits held at other financial institutions for operational purpose	3,885	512,513	310,802	—	413,600
17	Performing loans and securities	3,013	6,416,662	3,310,920	14,287,307	16,204,258
18	Performing loans to financial institutions secured by Level 1 HQLA	—	9,218	—	127,671	129,054
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	1,363	2,292,587	211,965	67,510	517,585
20	Performing loans to retail and small business customers, loans to non-financial corporate clients, and loans to sovereigns, central banks and PSEs, of which:	22	3,878,294	2,878,394	8,801,731	10,830,218
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	9	74,403	40,117	153,201	151,354
22	Performing residential mortgages, of which:	—	117,051	118,125	4,989,235	4,358,426
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	—	3	3	62	44
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	1,628	119,512	102,436	301,160	368,975
25	Assets with matching interdependent liabilities	—	—	—	—	—
26	Other assets	204,764	728,406	804,965	1,082,122	2,768,201
27	Physical traded commodities, including gold	—				—
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				1,548	1,316
29	NSFR derivative assets				44,346	77,929
30	NSFR derivative liabilities before deduction of variation margin posted				-5,228	-5,228
31	All other assets not included in the above categories	204,764	728,406	804,965	1,036,228	2,694,184
32	Off-balance sheet items				5,246,960	109,979
33	Total RSF					20,620,179
34	Net stable funding ratio (%)					127.9%

Net Stable Funding Ratio of the Fourth Quarter of 2023

(Unit: In millions of RMB)

No.		Total unweighted value				Total weighted value
		No maturity	Less than 6 months	6–12 months	Over 1 year	
Available stable funding (ASF) item						
1	Capital	2,865,338	—	—	509,938	3,375,276
2	Regulatory capital	2,865,338	—	—	479,938	3,345,276
3	Other capital instruments	—	—	—	30,000	30,000
4	Retail deposits and deposits from small business customers	7,712,763	10,499,590	123	100	16,488,840
5	Stable deposits	1,950,212	—	—	—	1,852,702
6	Less stable deposits	5,762,551	10,499,590	123	100	14,636,138
7	Wholesale funding	6,829,241	8,318,539	1,270,118	487,166	7,201,914
8	Operational deposits	4,164,487	—	—	—	2,082,244
9	Other wholesale funding	2,664,754	8,318,539	1,270,118	487,166	5,119,670
10	Liabilities with matching interdependent assets	—	—	—	—	—
11	Other liabilities	278	1,613,756	140,434	252,838	307,882
12	NSFR derivative liabilities				15,173	—
13	All other liabilities and equity not included in the above categories	278	1,613,756	140,434	237,665	307,882
14	Total ASF					27,373,912
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					1,269,331
16	Deposits held at other financial institutions for operational purpose	3,424	391,790	669,656	520	532,955
17	Performing loans and securities	2,346	6,608,945	3,160,176	14,492,603	16,437,460
18	Performing loans to financial institutions secured by Level 1 HQLA	—	1,112	—	125,921	126,088
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	909	2,204,847	280,505	73,899	545,016
20	Performing loans to retail and small business customers, loans to non-financial corporate clients, and loans to sovereigns, central banks and PSEs, of which:	82	4,131,119	2,689,957	9,028,004	11,057,977
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	8	49,880	46,163	148,774	140,257
22	Performing residential mortgages, of which:	—	116,471	117,939	4,927,896	4,305,905
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	—	3	3	60	43
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	1,355	155,396	71,775	336,883	402,474

Appendix III Net Stable Funding Ratio Information

No.		Total unweighted value: No maturity	Less than 6 months	6–12 months	Over 1 year	Total weighted value
25	Assets with matching interdependent liabilities	—	—	—	—	—
26	Other assets	245,178	779,856	846,157	1,108,372	2,869,513
27	Physical traded commodities, including gold	—				—
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				1,549	1,317
29	NSFR derivative assets				26,588	11,415
30	NSFR derivative liabilities before deduction of variation margin posted				5,937	5,937
31	All other assets not included in the above categories	245,178	779,856	846,157	1,080,235	2,850,844
32	Off-balance sheet items				5,732,344	101,372
33	Total RSF					21,210,631
34	Net stable funding ratio (%)					129.1%

I. The Indicators for Assessing Global Systematic Importance of Commercial Banks

The following disclosure was made in accordance with the relevant requirements of the Guidelines for the Disclosure of Indicators for Assessing Global Systematic Importance of Commercial Banks promulgated by the NFRA and the Instructions for G-SIB Assessment Exercise issued by the Basel Committee on Banking Supervision.

In millions of RMB

Category	Indicators	Balance/ Amount in 2023
Size	1. Total adjusted on- and off-balance sheet assets	41,661,983
Interconnectedness	2. Intra-financial system assets	2,719,798
	3. Intra-financial system liabilities	4,209,525
	4. Securities outstanding	4,008,909
Substitutability	5. Payments activity	722,722,396
	6. Assets under custody	15,012,802
	7. Underwritten transactions	3,119,707
	8. Trading volume of fixed income securities	8,326,961
	9. Trading volume of listed equities and other securities	230,530
Complexity	10. Notional amount of OTC derivatives	2,764,071
	11. Trading and available-for-sale securities	483,709
	12. Level 3 assets	126,872
Cross-Jurisdictional Activity	13. Cross-jurisdictional claims	650,139
	14. Cross-jurisdictional liabilities	812,764

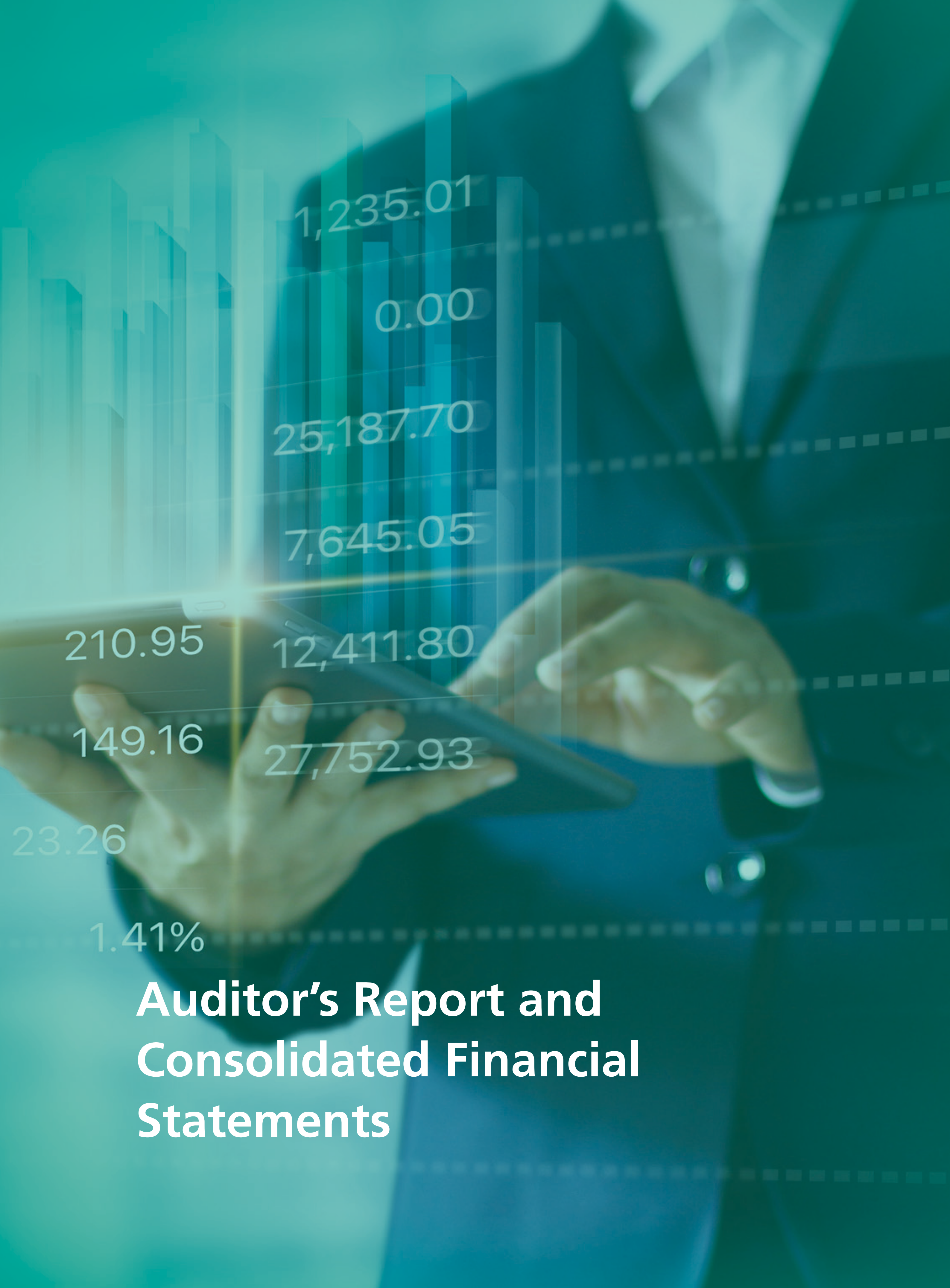
II. The Indicators for Assessing Domestic Systematic Importance of Banks

In September 2023, the PBOC and the NFRA published the list of domestic systemically important banks. The following disclosure was made in accordance with the relevant requirements of the Methodology and Notification for Assessing Systemically Important Banks issued by the PBOC and the NFRA.

In millions of RMB, unless otherwise stated

Category	Indicators[1]	Balance/ Amount in 2022
Size	1. Total adjusted on- and off-balance sheet assets	35,326,637
Interconnectedness	2. Intra-financial system assets	3,156,992
	3. Intra-financial system liabilities	4,209,854
	4. Securities outstanding	1,939,985
Substitutability	5. Payments activity	556,515,686
	6. Assets under custody	13,919,028
	7. Agency and distribution business	9,105,333
	8. Number of corporate customers (10 thousand)	936
	9. Number of personal customers (10 thousand)	86,237
	10. Number of domestic branch outlets	22,738
Complexity	11. Derivatives	2,141,057
	12. Securities measured at fair value	407,750
	13. Assets of non-bank subsidiaries	415,814
	14. Balance of non-principal guaranteed wealth management products issued by the Bank	157,434
	15. Balance of wealth management products issued by wealth management subsidiary	1,775,721
	16. Cross-jurisdictional claims and liabilities	1,422,030

[1] *The above indicators are calculated differently from the G-SIBs indicators.*



Auditor's Report and Consolidated Financial Statements

Independent Auditor's Report

KPMG

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	
	Note IV	**2023**	2022 (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	As at 31 December 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

Consolidated Statement of Financial Position (Continued)

As at 31 December 2023
(Amounts in millions of Renminbi, unless otherwise stated)

		As at 31 December	
	Note IV	**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	Year ended 31 December 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.

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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).

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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)**

(Amounts in millions of Renminbi, unless otherwise stated)

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)

(Amounts in millions of Renminbi, unless otherwise stated)

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)**	**–**	

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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	As at 31 December 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	As at 31 December 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	As at 31 December 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*

(Amounts in millions of Renminbi, unless otherwise stated)

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	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)**

	31 December 2022			
	Stage I	Stage II	Stage III	
	12 months ECL	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.

(Amounts in millions of Renminbi, unless otherwise stated)

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			
	Stage I	Stage II	Stage III	
Corporate loans and advances	12 months ECL (i)	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			
	Stage I	Stage II	Stage III	
Personal loans and advances	12 months ECL (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

(Amounts in millions of Renminbi, unless otherwise stated)

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			
	Stage I	Stage II	Stage III	
Corporate loans and advances	12 months ECL (v)	Lifetime ECL (vi)		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			
	Stage I	Stage II	Stage III	
Personal loans and advances	12 months ECL (vii)	Lifetime ECL (viii)		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.

(Amounts in millions of Renminbi, unless otherwise stated)

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

		As at 31 December	
	Notes	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

		As at 31 December	
	Notes	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".

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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".

(Amounts in millions of Renminbi, unless otherwise stated)

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	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

	31 December 2022			
	Stage I	Stage II	Stage III	
	12 months ECL	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	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

(Amounts in millions of Renminbi, unless otherwise stated)

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	Stage II	Stage III	
	12 months ECL	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)

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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).

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

		As at 31 December	
	Notes	**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.

(Amounts in millions of Renminbi, unless otherwise stated)

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).

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued)

		As at 31 December	
	Notes	**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.

(Amounts in millions of Renminbi, unless otherwise stated)

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.)

(Amounts in millions of Renminbi, unless otherwise stated)

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**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 OTHER LIABILITIES (Continued)

(1) *Staff costs payable* (Continued)

(i) Short-term employee benefits (Continued)

		2022			
	Note	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.

(Amounts in millions of Renminbi, unless otherwise stated)

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*

		As at 31 December	
	Note	**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

(Amounts in millions of Renminbi, unless otherwise stated)

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

		Year ended 31 December 2023			
		Stage I	**Stage II**	**Stage III**	
		12 months			
	Note	**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**

		Year ended 31 December 2022			
		Stage I	Stage II	Stage III	
		12 months			
	Note	ECL	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.

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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**

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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%

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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%

(Amounts in millions of Renminbi, unless otherwise stated)

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%

(Amounts in millions of Renminbi, unless otherwise stated)

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 (millions)	2022 (Restated) (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.

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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).

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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	As at 31 December 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.

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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**

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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	

(Amounts in millions of Renminbi, unless otherwise stated)

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	

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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**

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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)

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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

		2023			
	Note	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

		2022			
	Note	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.

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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	–

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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)

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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.

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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*

(Amounts in millions of Renminbi, unless otherwise stated)

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

(Amounts in millions of Renminbi, unless otherwise stated)

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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