Bank 中国光大银行
CHINA EVERBRIGHT BANK

BUILD A FIRST-CLASS WEALTH MANAGEMENT BANK

Stock Code: 6818

中國光大銀行股份有限公司
China Everbright Bank Company Limited

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

2023 年度報告 ANNUAL REPORT

Important Notice

The Board of Directors, Board of Supervisors and Directors, Supervisors and Senior Management of the Bank hereby warrant the authenticity, accuracy and completeness of the contents of this Report and that there are no false representations, misleading statements or material omissions, and jointly and severally assume full responsibility for the information in this Report.

The 16th Meeting of the Ninth Session of the Board of Directors of the Bank was convened in Beijing on 27 March 2024, at which the *2023 Annual Report* of the Bank was considered and approved. 11 out of 11 Directors attended this meeting in person. 5 Supervisors were present at the meeting as non-voting attendees.

The financial statements of the Bank for the year 2023 were prepared in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") and the International Financial Reporting Standards ("IFRS") and have been reviewed by Ernst & Young Hua Ming LLP and Ernst & Young in accordance with the China Standards on Auditing (CSA) and the International Standards on Auditing (ISA), respectively. Both auditors issued standard unqualified auditor's reports.

Chairman Mr. Wu Lijun, President Mr. Wang Zhiheng, and Mr. Lu Jian, General Manager of Finance and Accounting Department of the Bank, hereby warrant the authenticity, accuracy and completeness of the financial statements in this Report.

Unless otherwise stated, all monetary sums stated in this Report are expressed in Renminbi/RMB.

The Board of Directors of the Bank proposed distributing an ordinary share dividend of RMB1.73 (before tax) for every 10 shares for the year 2023. Please refer to "Significant Events" for details.

Forward-looking statements such as future plans of the Bank mentioned in this Report do not constitute actual commitments of the Bank to the investors. The investors and related parties should be fully aware of the risks, and should understand the difference between plans, predictions and commitments.

The Bank has disclosed herein major risks and proposed risk management measures accordingly. Please refer to relevant contents in "Management Discussion and Analysis" for details.

In this Report, "We/we", "the Bank", "whole Bank" and "China Everbright Bank" all refer to China Everbright Bank Company Limited, and "the Group" refers to China Everbright Bank Company Limited and its subsidiaries.

The Board of Directors of
China Everbright Bank Company Limited
27 March 2024

Operating Overview

Operating performance (RMB million)

Operating income
145,735

Profit before tax
49,757

Net profit
41,076

Asset quality indicators (%)

NPL ratio
1.25

Provision-to-loan ratio
2.27

Provision coverage ratio
181.27

Business scale (RMB million)

Total assets
6,772,796

Total liabilities
6,218,011

Total loans
3,786,954

Balance of deposits
4,094,528

Three North Star Metrics (RMB trillion)

Finance Product Aggregate (FPA)
5.09

Assets Under Management (AUM)
2.73

Gross Merchandise Volume (GMV)
3.94

Contents

Definitions and Documents for Reference	4
Profile of the Bank	5
Honors and Awards	8
Message from the Chairman	10
Message from the President	12
Summary of Accounting Data and Financial Indicators	14
Management Discussion and Analysis	20
Environmental and Social Responsibilities	80
Significant Events	90
Changes in Ordinary Share Capital and Shareholders	102
Changes in Preference Share Capital and Shareholders	109
Directors, Supervisors, Senior Management, Staff and Business Outlets	113
Corporate Governance	132
Address Book of Head Office and Branches	152
Independent Auditor's Report and Financial Statements	157

Columns

Column 1: Rolling out an array of measures to improve the quality and efficiency in serving the real economy 48

Column 2: Focusing on high-quality development to open up new prospects in asset management business 64

Column 3: Promoting technology empowerment to build a digital Everbright 67

Column 4: Leveraging CEB's capabilities to excel in the area of green finance 80

Cases

Case 1: Advancing collaborative operation to elevate the value of synergy 24

Case 2: SRDI Giant Loan 50

Case 3: Innovating debt financing instruments to develop green finance 52

Case 4: Sunshine E-financing Chain serving core enterprises in stabilizing and consolidating supply chains 53

Case 5: Financial care for "new citizens" 56

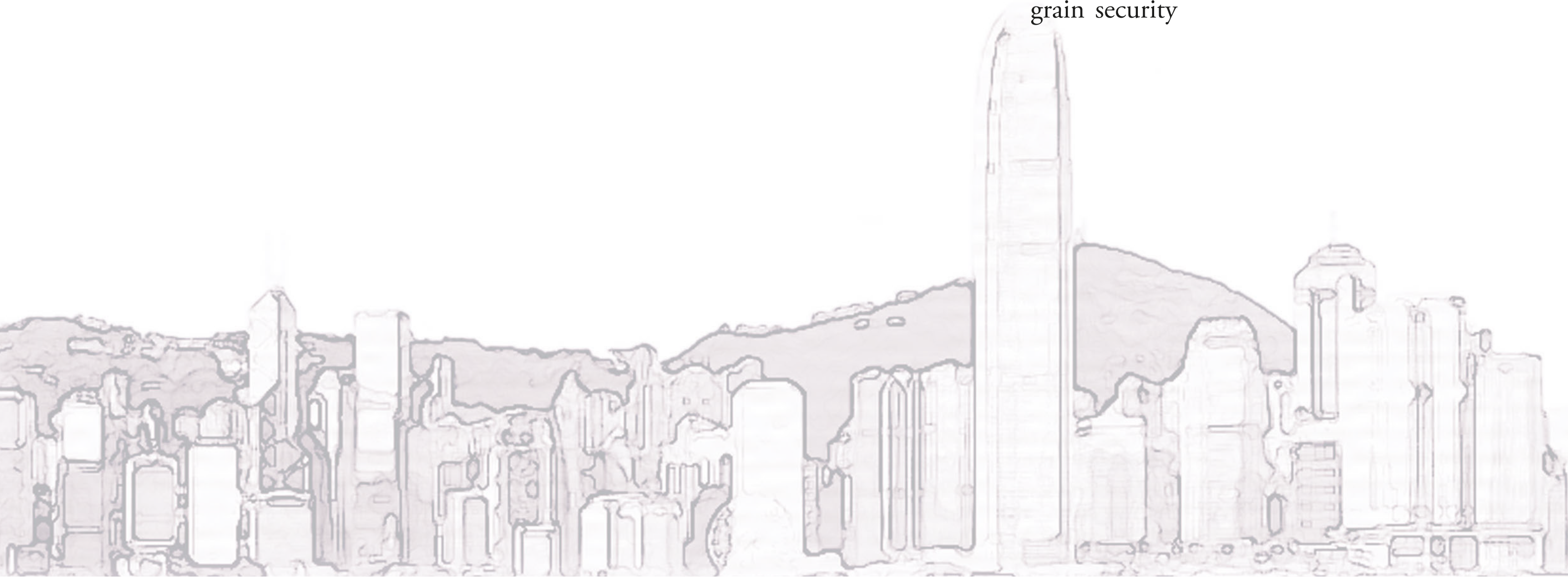
Case 6: Building an integrated comprehensive service system of "commercial banking + investment banking + private banking" 58

Case 7: Relying on the Enterprise Administrative Management Platform ("Xin Yue Tong") to serve medium, small and micro enterprises 60

Case 8: Sunshine ABS, a hit product in interbank business 62

Case 9: Innovating investment and financing models to support sci-tech innovation enterprises 63

Case 10: Focusing on seed industry revitalization to ensure China's grain security 86



Definitions and Documents for Reference

I. DEFINITIONS

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

MOF	:	Ministry of Finance of the People's Republic of China
PBOC	:	The People's Bank of China
NFRA	:	National Financial Regulatory Administration
The former CBIRC	:	The former China Banking and Insurance Regulatory Commission
CSRC	:	China Securities Regulatory Commission
CHI	:	Central Huijin Investment Ltd.
CEG	:	China Everbright Group Ltd.
SSE	:	Shanghai Stock Exchange
SZSE	:	Shenzhen Stock Exchange
HKEX	:	Hong Kong Exchanges and Clearing Limited
SEHK	:	The Stock Exchange of Hong Kong Limited
EY Hua Ming	:	Ernst & Young Hua Ming LLP
EY	:	Ernst & Young
Articles of Association of the Bank	:	Articles of Association of China Everbright Bank Company Limited
Hong Kong Listing Rules	:	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	:	Appendix C3 to the Hong Kong Listing Rules – The Model Code for Securities Transactions by Directors of Listed Issuers

II. DOCUMENTS FOR REFERENCE

i. Financial statements bearing the signatures and seals of Chairman, President and General Manager of Finance and Accounting Department of the Bank.

ii. The original auditor's report bearing the seal of the accounting firms and the signatures and seals of certified public accountants.

iii. The originals of documents and announcements of the Bank disclosed to the public during the reporting period.

iv. A share annual report and financial statements prepared in accordance with PRC GAAP published by the Bank on the SSE website during the reporting period.

The originals of the aforesaid documents for reference shall be kept at the Office of Board of Directors of the Bank.

Profile of the Bank

I. BASIC INFORMATION

i. Name of the Bank

Registered Chinese Company Name: 中國光大銀行股份有限公司 (Abbreviation: 中國光大銀行 or 光大銀行)
Registered English Company Name: CHINA EVERBRIGHT BANK COMPANY LIMITED (Abbreviation: CEB BANK)

ii. Relevant Persons

Legal Representative: Wang Jiang
Authorized Representatives: Wang Zhiheng, Qu Liang
Secretary to the Board of Directors: Zhang Xuyang
Joint Company Secretaries: Zhang Xuyang, Lee Mei Yi
Securities Affairs Representative: Zeng Wenxue

iii. Contacts

Contact Address: China Everbright Center, No. 25 Taipingqiao Street, Xicheng District, Beijing
Postal Code: 100033
Tel: 86-10-63636363
Fax: 86-10-63639066
E-mail: IR@cebbank.com
Investor Hotline: 86-10-63636388
Customer Service Hotline & Customer Complaint Hotline: 95595

iv. Corporate Information

Office Address: China Everbright Center, No. 25 and No. 25 A Taipingqiao Street, Xicheng District, Beijing
Registered Address and Its Change Records:
1992-1995: 16/F, New Century Hotel Office Building, No. 6 Shoudutiyuguan South Road, Beijing
1995-2012: Everbright Building, No. 6 Fuxingmenwai Street, Xicheng District, Beijing
2012-today: China Everbright Center, No. 25 and No. 25 A Taipingqiao Street, Xicheng District, Beijing
Website of the Bank: www.cebbank.com
Uniform Social Credit Code: 91110000100011743X
Code of Financial Authority: B0007H111000001
Scope of Business: taking deposits from the public; granting short-term, medium-term and long-term loans; handling domestic and overseas settlement; handling bill acceptance and discount; issuing financial bonds; issuing, honoring and underwriting government bonds as an agent; trading of government bonds and financial bonds; interbank borrowing and lending; trading and agency trading of foreign exchange; bank card business; providing L/C services and guarantee; agency collection and payment and agency insurance services; safe deposit box services; and other businesses approved by the former CBIRC.

v. Principal Place of Business in Hong Kong

CEB Hong Kong Branch: 23/F, Everbright Center, 108 Gloucester Road, Wan Chai, Hong Kong

Profile of the Bank

vi. Websites and Newspapers Designated for Information Disclosure

Websites designated for publication of A share annual report: *SSE's website:* www.sse.com.cn
The Bank's website: www.cebbank.com
Newspapers designated for publication of A share annual report: *China Securities Journal:* www.cs.com.cn
Shanghai Securities News: www.cnstock.com
Securities Times: www.stcn.com
Securities Daily: www.zqrb.cn
Websites designated for publication of H share annual report: *HKEXnews website:* www.hkexnews.hk
The Bank's website: www.cebbank.com
Copies of this annual report are available at: Office of the Board of Directors of the Bank
Shanghai Stock Exchange

vii. Stock Exchanges for Listing of Shares

A Shares: Shanghai Stock Exchange (SSE)
Abbreviated Name of Ordinary Shares: Everbright Bank, Code: 601818
Abbreviated Name of Preference Shares: Everbright P1, Everbright P2, Everbright P3, Code: 360013, 360022, 360034 (SSE Comprehensive Business Platform)
H Shares: The Stock Exchange of Hong Kong Limited (SEHK)
Abbreviated Name: CEB Bank, Code: 6818

viii. Auditors During the Reporting Period

Domestic Auditor: Ernst & Young Hua Ming LLP
Office Address: 19/F, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Beijing
Certified Public Accountants for Signature: Xu Xuming, Hong Xiaodong
Overseas Auditor: Ernst & Young
Office Address: 27/F, 1 Building, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
Certified Public Accountant for Signature: Ng Chi Keung

ix. Legal Advisors to the Board of Directors During the Reporting Period

A Share Legal Advisor: Jun He Law Offices
H Share Legal Advisor: Clifford Chance LLP

x. Securities Depository

A Share Ordinary Shares and Preference Shares Depository: Shanghai Branch, China Securities Depository and Clearing Corporation Limited
Office Address: No. 188 Yanggao South Road, Pudong New Area, Shanghai
H Share Registrar: Computershare Hong Kong Investor Services Limited
Office Address: Shops 1712-1716, 17/F, Hopewell Center, 183 Queen's Road East, Wan Chai, Hong Kong

II. INTRODUCTION

China Everbright Bank, established in August 1992 and headquartered in Beijing, is a national joint-stock commercial bank approved by the State Council of China and PBOC. The Bank was listed on the SSE in August 2010 (stock code: 601818) and the SEHK in December 2013 (stock code: 6818).

Actively committed to ensuring that the financial work is politically oriented and can better represent the people, the Bank takes "serving the real economy and national strategies while meeting people's growing financial needs in economic and social development" as its main responsibility. Leveraging China Everbright Group's advantages in comprehensive finance, industry-finance collaboration and cross-border operation, the Bank has placed customers at the center to accelerate innovation in products, channels and service models through integrated, characteristic, asset-light and digital development, and shifted from managing its own balance sheets to assisting customers in improving their financial statements. The Bank has forged a competitive edge in wealth management, fintech and comprehensive finance, and formed a pattern featuring balanced development of all business sectors, continuous improvement of risk management and gradual enhancement of innovation capabilities. In this way, the Bank has been steadily advancing along the track of high-quality development.

As at the end of the reporting period, the Bank had established 1,312 branches and outlets in the domestic market, covering all provincial administrative regions and extending its business reach to 150 economic center cities. Centering on the Bank's strategies, Everbright Financial Leasing Co., Ltd. strove to build a comprehensive service platform and professional asset operation platform for leasing business, Everbright Wealth Management Co., Ltd. focused on asset management and wealth management business, and Beijing Sunshine Consumer Finance Co., Ltd. engaged in the specialized consumer finance market. In the overseas market, closely following the Belt and Road Initiative, CEB has expanded its international presence accordingly. CEB Hong Kong Branch, CEB International Investment Corporation Limited, CEB Seoul Branch, China Everbright Bank (Europe) S.A., CEB Luxembourg Branch, CEB Sydney Branch and CEB Tokyo Representative Office were set up successively, and CEB Macao Branch was officially opened. At the same time, the Bank's long-term sponsorship for "Water Cellar for Mothers", a social charity program, demonstrated its commitments to social responsibilities. The Bank's Everbright Cloud Fee Payment, an online convenient platform with a focus on people's livelihood services and financial scenarios, has served hundreds of millions of people. The Bank's three rural banks located in Shaoshan of Hunan Province, Huai'an of Jiangsu Province and Ruijin of Jiangxi Province delivered sound results in providing inclusive financial services for rural residents. The Bank's corporate image improved continuously as it was awarded the "Best Joint-stock Commercial Bank of the Year" by the *Financial News*.

Over the years, along with the evolution of Chinese economy and the growth of Chinese financial sector, the Bank's brand image and market value have improved continuously. While rendering quality financial services to its customers and the public, it has also achieved good results in business performance as a listed bank with a strong brand reputation and market influence.

Honors and Awards

1. On 6 January 2023, the Bank was awarded the "2022 Consumer Favorite Credit Card Brand Award" at the 16th "Golden Cicada Award" ceremony hosted by *China Times*.

2. On 16 January 2023, the Bank's Wonderful E-shopping platform was selected as a "Rural Revitalization in Action" innovation case by www.xinhuanet.com.

3. On 18 April 2023, the Bank was awarded the "Best Social Responsibility Bank of the Year", Everbright Wealth Management Co., Ltd. was awarded the "Best Bank Wealth Management Company of the Year", and Everbright Cloud Fee Payment was awarded the "Best Scenario Finance Innovative Service of the Year", according to the "2022 Gold Medal Chart of Chinese Financial Institutions – Golden Dragon Awards" released by *Financial News*.

4. On 27 April 2023, All-China Federation of Trade Unions issued the *Decision on Commending the Individuals Winning 2023 National May-Day Labor Awards and the "Pioneers of National Workers"*, awarded a "National May-Day Labor Medal" to Mr. Mao Hongli, Supervisor and Senior Technician of Operation Management Department of CEB Nanjing Branch Changzhou Sub-branch, and conferred the honor of "Pioneers of National Workers" to Special Assets Management Department/Asset Management Department of CEB Head Office and Corporate Finance Department of CEB Beijing Branch.

5. On 15 July 2023, the Bank was awarded the "2023 Gamma Award for Boutique Private Banking" according to the selection results of the 2023 5th Gamma Awards for China's Banking Industry hosted by *Securities Times*. On 12 August 2023, the Bank was awarded the "2023 Outstanding Brand Building Private Banking Award" at the 2023 China Asset Management Annual Conference & the 16th "Golden-Shell" Asset Management Competitiveness Event held by the *21st Century Business Herald*.

6. On 21 August 2023, 23 member institutions of National Youth Model Unit Award Organizing Committee, including the Central Committee of China Communist Youth League, jointly issued the *Decision on Naming and Giving Star Ratings During the 21st National Youth Model Unit Award Selection*, and CEB Beijing Branch Fengtai Sub-branch was awarded the "National Youth Model Unit".

7. On 17 October 2023, the Bank was awarded the "2023 Excellent Case of Digital Wealth Management Innovation", and the Bank's "Data Asset Valuation Innovation Case" was awarded the "2023 Excellent Case of Fintech Innovation" at the 2023 Chinese Banker Financial Innovation Forum & the Chinese Banker Financial Innovation Achievement Showcase hosted by *The Chinese Banker*.

8. On 11 November 2023, the Bank won the "Golden Bull Award for Bank Wealth Management Marketing" at the 2023 Wealth Management Forum for the Banking and Insurance Sectors & the 4th Bank Wealth Management Golden Bull Awards Ceremony hosted by *China Securities Journal*.

9. On 12 November 2023, Everbright Cloud Fee Payment was awarded "Top 10 Excellent Projects" at the 2023 Annual Conference of Financial Street Forum – Global Fintech Conference & the 2023 3rd Fintech Application Scenario Competition.

10. On 13 November 2023, the China Association for Public Companies released the selection results of the "2023 Best Practice Creation Activity of the Board of Directors of Listed Companies", the Bank was awarded the "Excellent Practice Case".

11. On 23 November 2023, the Bank was awarded the “25th Golden Information Disclosure Award” at the 2023 High-quality Development Forum for Listed Companies & the 25th Golden Bull Award Ceremony for Listed Companies, jointly hosted by *China Securities Journal* and Jiangsu Nantong Municipal People’s Government.

12. On 29 November 2023, the Bank was rated A in the MSCI ESG ratings.

13. On 12 December 2023, the Bank was awarded the “Outstanding Retail Banking of the Year” and “Excellent Wealth Management Bank”, CEB Mobile Banking app was awarded the “Outstanding Mobile Banking of the Year”, and the Bank’s “Forex Easy” product was awarded the “Financial Product Innovation Award” at the 21st China’s Financial Annual Champion Awards for the Banking Industry held by Hexun.com.

14. On 12 December 2023, the Bank was awarded the “2023 Outstanding Joint-stock Commercial Bank with Excellent Competitiveness” according to the “2023 Selected List of Financial Institutions with Excellent Competitiveness” released by *China Business Journal*.

15. On 14 December 2023, Everbright Financial Leasing Co., Ltd. was awarded the “2023 Best Leasing Company Award for Supporting the Real Economy” at the 20th China International Finance Forum, jointly hosted by the International Banking Federation (IBFed), International Capital Market Association, China Banking Association and other organizations.

16. On 15 December 2023, the Bank was awarded the “2023 China Brand Building Case” at the 2023 China Brand Forum hosted by *People’s Daily*.

17. On 21 December 2023, the Bank was awarded the “Outstanding Socially Influential Enterprise of the Year” and “Outstanding Fintech Innovation Enterprise of the Year” at the 2023 Financial Development Forum & the 12th Excellent Financial Enterprises Award Ceremony hosted by *The Economic Observer*.

18. On 22 December 2023, the Bank won the “Outstanding Investor Relations (IR) Team Award” at the 12th “GoldenWis Awards” selection released by JRJ.com. On 29 December 2023, the Bank won the “Best Listed Company for Investor Relations (IR) Management” at the “Crystal Ball Awards” selection released by *Weekly on Stocks*.

19. On 27 December 2023, the Bank was awarded the “Best Joint-stock Commercial Bank of the Year”, Everbright Wealth Management Co., Ltd. was awarded the “Best Bank Wealth Management Company of the Year”, and Everbright Cloud Fee Payment Technology Co., Ltd. was awarded the “Best Growth Fintech Company of the Year” at the “2023 Gold Medal Chart of Chinese Financial Institutions – Golden Dragon Awards” ceremony hosted by *Financial News*.

20. On 28 December 2023, the National Committee of Chinese Financial Workers’ Union issued the *Reply on Conferring National May-Day Labor Medals to Outstanding Participants in the Financial System’s Staff Occupational Skill Competition*, and Ms. Liu Yang from CEB Shenzhen Branch and Ms. Fang Ting from CEB Kunming Branch won the National Finance May-Day Labor Medals.

21. On 29 December 2023, the Bank won the Social Responsibility Award for “Green Finance Enterprise of the Year”, according to the “2023 Winner List of Financial Industry Awards” selection released by Caijing.com.cn.

Message from the Chairman

The year 2023 marked the first year for fully implementing the guiding principles from the 20th National Congress of the Communist Party of China, during which Chinese economy experienced an upturn with bright growth prospects and China's high-quality development made solid headway. For China Everbright Bank (CEB), 2023 was also a pivotal year in its development. Following the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and ensuring that the financial work is politically oriented and can better represent the people, CEB promoted high-quality development on all fronts, proactively served the real economy, and unswervingly pursued the path of financial development with Chinese characteristics, making continuous efforts to build itself into a state-owned joint-stock commercial bank with competitive edges.

During this year, CEB resolutely followed political guidance, conducted extensive activities to promote themed education, solidly advanced rectification after central disciplinary inspections, and strengthened Party-building on all fronts, elevating all work to new heights. CEB adhered to its fundamental purpose of serving the real economy, front-loaded the efforts to increase credit support steadily, adopted a combination of measures to reduce financing costs for enterprises, and continuously improved both quality and efficiency in serving the real economy. CEB maintained the overall work tone of pursuing progress while ensuring stability, as demonstrated by the continuous improvement in the scale of assets and liabilities, credit granting direction, deposit structure and profitability. CEB persisted in strategy-oriented operation, with customer base consolidated, prominent collaboration results achieved, a stream of transformation achievements emerged, and more distinctive wealth management features manifested. CEB insisted on advancing high-quality development, with its comprehensive strengths continuously enhanced and asset quality remained stable. CEB successfully converted convertible bonds into shares and issued tier-2 capital bonds to consolidate capital base. In addition, CEB witnessed an improvement in its ESG ratings, and was conferred the honor of "Best Joint-stock Commercial Bank".

Looking into 2024, upholding the principle of seeking progress while ensuring stability, promoting stability through progress and establishing the new before abolishing the old, China will strengthen counter-cyclical and cross-cyclical adjustments of macroeconomic policies, continue to implement proactive fiscal policies and prudent monetary policies, and enhance innovation and coordination of policy instruments. Therefore, Chinese economy is expected to maintain the fundamental trend of economic recovery and remain on a positive trajectory over the long run. Meanwhile, the foundation for China's economic recovery and growth still needs consolidation.

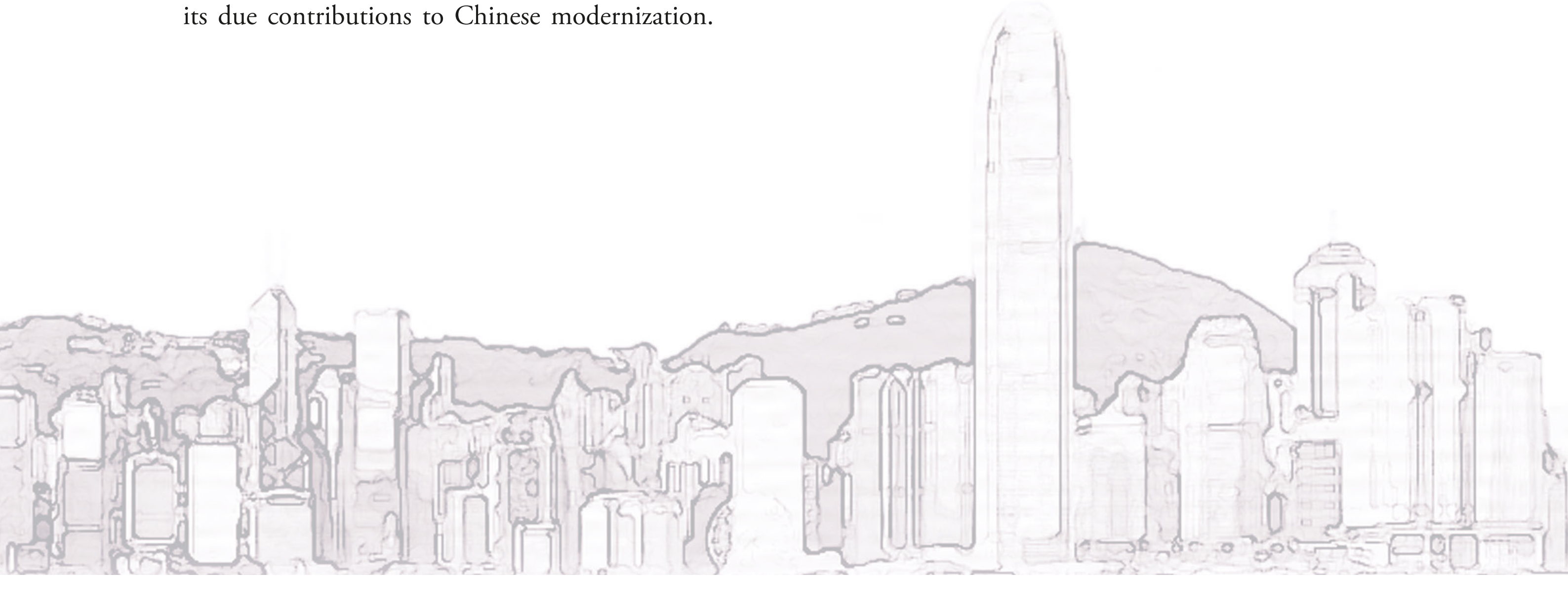
In the new year, CEB will earnestly study and comprehend the spirits in a series of important speeches regarding financial work made by Xi Jinping, General Secretary of the CPC Central Committee. In regard to building China into a country with great financial strength, CEB will gain a deep understanding on the following aspects: the key elements are the “Six Strengths” in currency, central bank, financial institutions, international financial centers, financial regulation and financial talents; the fundamental purpose is to serve Chinese modernization; and the essential path is to pursue financial development with Chinese characteristics. With an aim to become better and grow stronger in Chinese modern financial system, CEB will continue to accumulate its competitive advantages as a wealth management bank to advance high-quality development.

In the new year, CEB will strengthen Party-building and uphold CPC’s centralized and unified leadership. Firmly following correct political direction, CEB will deepen comprehensive and strict Party governance, strengthen the cultivation of cadres and talents, and persistently tighten discipline and improve conduct to ensure that cadres dare not, cannot and do not want to be corrupt. CEB will effectively translate the political advantages of Party leadership into financial governance capabilities, build teams of competent financial cadres and talents, and highlight expertise and technology as the features to support future sustainable development.

In the new year, CEB will optimize development strategies and reinforce strategic implementation. Focusing on high-quality development goals, CEB will implement national strategies and plans, innovate development models, strengthen corporate governance and internal compliance management, and leverage the advantages of China Everbright Group to enhance collaborative operation. CEB will remain committed to serving the real economy, anchor itself to the three North Star Metrics, and focus on serving five major areas including technology finance, green finance, inclusive finance, pension finance and digital finance, in order to achieve high-quality development.

In the new year, CEB will coordinate both development and security and ensure that no systemic risks arise. Adhering to the bottom-line mindset, CEB will regard risk prevention and control as the eternal theme of financial work, pool all our efforts to tackle the tough challenges in risk-prone asset reduction, and implement regulatory requirements on all fronts to conduct lawful and compliant operation. CEB will incorporate both the concepts of compliance and internal control and the regulatory requirements into the entire process of business management, enhance service quality and efficiency in serving the real economy through compliant operation, safeguard the legitimate rights and interests of financial consumers, and follow a stable, standardized and sustainable development path.

As streams of rivers are converging to make a boundless ocean, we are ready to set sail in favorable winds. In the year 2024, which marks the 75th anniversary of the founding of the People’s Republic of China and is also a critical year for achieving the goals and tasks outlined in China’s “14th Five-Year Plan”, CEB will boost confidence in seeking progress while ensuring stability, work diligently to accomplish tasks with excellence, and build itself into a state-owned joint-stock commercial bank with professionalism, characteristics, influence and competitive edges, making its due contributions to Chinese modernization.

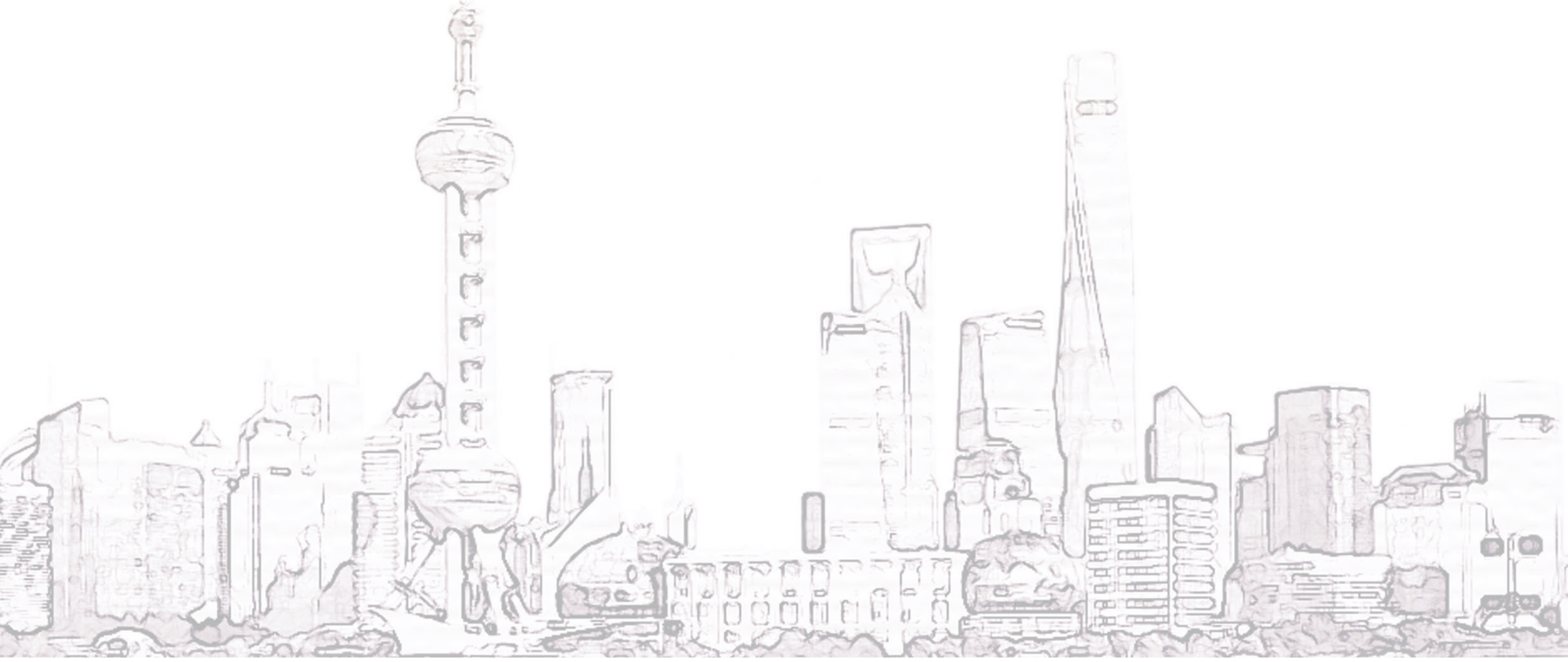


Message from the President

In 2023, CEB followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implemented the spirits and principles of the Central Financial Work Conference and the Central Economic Work Conference, ensured that the financial work is politically oriented and can better represent the people, and stayed true to the general principle of pursuing progress while ensuring stability, conscientiously carried out themed education, deepened rectification after central disciplinary inspections, and sustained progress on high-quality development, making positive accomplishments in all respects.

Over the past year, CEB adhered to its fundamental purpose of serving the real economy. Properly balancing between social functionality and profitability as a financial institution, CEB front-loaded the efforts to increase credit support, optimized capital supply, enhanced the high-quality financial services for major strategic areas, key sectors and weak links, and strove to improve both quality and efficiency in serving the real economy. Through measures such as perfecting the working mechanism to serve the real economy, setting up sci-tech innovation specialized institutions, and rolling out SRDI Enterprise Loan and a host of other innovative products, CEB's loans to sci-tech innovation enterprises, manufacturing sector, inclusive MSEs and green projects increased by 50.64%, 24.74%, 24.18% and 57.44% respectively from the end of the previous year, with the growth rates of loans in all key areas and weak links significantly outpacing that of general loans.

Over the past year, CEB persisted in its primary task of promoting high-quality development. CEB insisted on seeking benefits from the market, pursuing efficiency through management and gaining profits by cost reduction, so as to bring out the full potential of development and transformation. Both the assets and liabilities of the Bank were scaled up steadily, as demonstrated by the fact that total assets stood at RMB6.77 trillion, a year-on-year increase of 7.50%, and total liabilities posted RMB6.22 trillion, a year-on-year increase of 7.38%, with deposits surpassing the RMB4 trillion mark. The Bank's wealth management showed more prominent features. Specifically speaking, the Bank's FPA (Finance Product Aggregate) exceeded RMB5 trillion, the bond underwriting amount ranked at the forefront among comparable peers, and the M&A loans witnessed a substantial rise. The Bank registered a year-on-year increase of 12.42% in AUM (Assets Under Management), a double-digit growth in the number of private banking customers for four consecutive years, and a year-on-year rise of 19.60% in pension custody scale. The Bank's GMV (Gross Merchandise Volume) reached RMB3.94 trillion, with rapid breakthroughs made in interbank agency business. In addition, CEB actively carried out capital replenishment by successfully converting RMB16.9 billion of convertible bonds into shares and issuing RMB15 billion of tier-2 capital bonds, with CAR, tier-1 CAR and common equity tier-1 CAR recorded at 13.50%, 11.36% and 9.18% respectively, all higher than the figures at the end of the previous year.



Over the past year, CEB resolutely fulfilled its due social responsibility of providing people with financial services through continuous enhancement in accessibility, convenience and standardization, demonstrating CEB's commitments and undertakings to social responsibilities. CEB's Cloud Fee Payment facilitated the promotion of open-ended fee payment services to counties, townships and lower-tier areas with broadening service scope for individuals, enterprises and governments, maintaining its advantages as China's leading open-ended convenient fee payment platform. CEB enriched the product shelf for inclusive wealth management such as "One Yuan Wealth Management" and Sunshine Pension Finance. To address the needs of new urban residents for entrepreneurship and housing, CEB built tailored digital products including Sunshine Fast Loan ("Guang Su Dai") and Sunshine Housing Express ("An Ju Tong"). CEB launched an age-friendly version of CEB Mobile Banking to optimize elderly-oriented financial services. In compliance with the new rules on consumer protection, CEB stepped up efforts to protect financial consumers' legitimate rights and interests, obtaining A rating in PBOC's consumer protection evaluation for three consecutive years and ranking at the forefront among national joint-stock commercial banks in NFRA's consumer protection evaluation. On account of active ESG practices, CEB was rated A in the MSCI ESG ratings for the first time. CEB consolidated and expanded poverty elimination outcomes by carrying out pairing-off assistance and sponsoring the social charity program titled "Water Cellar for Mothers – Green Villages", broadened the scope of public welfare participation, and made an all-embracing push to support rural revitalization.

Over the past year, CEB saw to it that risk prevention and control was regarded as the eternal theme of financial work. By strengthening both comprehensive risk management and internal control compliance management, CEB continuously enhanced its capabilities in risk identification, assessment, monitoring and control. CEB refined the risk grading and classification management mechanism for risk-prone assets, intensified risk management and control in key risk areas, redoubled efforts to diffuse and resolve risks, and guarded against risks arising from newly-granted credit in a precise manner, in a bid to strictly hold the red line of forestalling systemic financial risks. CEB's overall asset quality remained stable, with the NPL ratio staying at 1.25% and the ratio of overdue loans dropping compared with that at the end of the previous year. CEB increased provisioning to consolidate the foundation for asset quality management and control. CEB optimized the risk management and control mechanism by strengthening the concentration risk management of large-value credit and deepening the capacity building of full-time credit reviewers. CEB took the "Policy Implementation Year" as an effective means to improve policies and systems, strengthen implementation and ensure lawful and compliant operation.

Looking forward, CEB will follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, adhere to the centralized and unified leadership of the CPC Central Committee over financial work, thoroughly understand the political significance of the financial work and its importance to the interests of the people. CEB will uphold serving the real economy as the fundamental mission and promoting high-quality financial development as the theme, maintain the overall work tone of pursuing progress while ensuring stability, coordinate development and security, actively nurture a financial culture with Chinese characteristics, and steadfastly pursue the path of financial development with Chinese characteristics. CEB will balance development goals among scale, quality and efficiency, endeavor to create stable long-term returns for investors, and create greater value for customers, employees, shareholders, business partners and the general public, so as to build CEB into a state-owned joint-stock commercial bank with professionalism, characteristics, influence and competitive edges.

Summary of Accounting Data and Financial Indicators

I. FINANCIAL DATA AND INDICATORS

Item	2023	2022	Change in 2023 over 2022 (%)	2021	2020 (restated)[8]	2019 (restated)[8]
Operating performance (RMB million)						
Net interest income	107,480	113,655	(5.43)	112,155	110,697	101,918
Net fee and commission income	23,698	26,744	(11.39)	27,314	24,409	23,219
Operating income	145,735	151,865	(4.04)	153,366	142,798	132,989
Operating expenses	(43,909)	(45,227)	(2.91)	(45,540)	(40,335)	(38,466)
Impairment losses on assets	(52,105)	(50,609)	2.96	(54,795)	(56,932)	(49,347)
Profit before tax	49,757	55,966	(11.09)	52,941	45,526	45,176
Net profit	41,076	45,040	(8.80)	43,639	37,928	37,450
Net profit attributable to shareholders of the Bank	40,792	44,807	(8.96)	43,407	37,835	37,359
Per share (in RMB)						
Net assets per share attributable to ordinary shareholders of the Bank[1]	7.57	7.46	1.47	6.99	6.45	6.10
Basic earnings per share[2]	0.62	0.74	(16.22)	0.71	0.68	0.68
Diluted earnings per share[3]	0.61	0.67	(8.96)	0.65	0.61	0.62
Scale indicators (RMB million)						
Total assets	6,772,796	6,300,510	7.50	5,902,069	5,368,163	4,733,490
Total loans and advances to customers	3,786,954	3,572,276	6.01	3,307,304	3,009,482	2,712,204
Provision for impairment of loans[4]	85,371	83,180	2.63	76,889	75,533	76,228
Total liabilities	6,218,011	5,790,497	7.38	5,417,703	4,913,123	4,347,417
Deposits from customers	4,094,528	3,917,168	4.53	3,675,743	3,480,642	3,017,875
Total equity	554,785	510,013	8.78	484,366	455,040	386,073
Total equity attributable to shareholders of the Bank	552,391	507,883	8.76	482,489	453,470	384,992
Share capital	59,086	54,032	9.35	54,032	54,032	52,489
Profitability indicators (%)						
Return on average total assets	0.63	0.74	-0.11 percentage point	0.77	0.75	0.82
Return on weighted average equity[5]	8.38	10.27	-1.89 percentage points	10.64	10.72	11.77
Net interest spread	1.68	1.93	-0.25 percentage point	2.07	2.20	2.18
Net interest margin	1.74	2.01	-0.27 percentage point	2.16	2.29	2.31
Proportion of fee and commission income in operating income	16.26	17.61	-1.35 percentage points	17.81	17.09	17.46
Cost-to-income ratio	28.95	28.62	+0.33 percentage point	28.64	27.21	27.87
Asset quality indicators (%)						
NPL ratio	1.25	1.25	–	1.25	1.38	1.56
Provision coverage ratio[6]	181.27	187.93	-6.66 percentage points	187.02	182.71	181.62
Provision-to-loan ratio[7]	2.27	2.35	-0.08 percentage point	2.34	2.53	2.83

Notes:

1. Net assets per share attributable to ordinary shareholders of the Bank = (net assets attributable to shareholders of the Bank – preference shares related portion of other equity instruments and non-fixed-term capital bonds)/total number of ordinary shares at the end of the period.

2. Basic earnings per share = net profit attributable to ordinary shareholders of the Bank/weighted average number of ordinary shares outstanding; net profit attributable to ordinary shareholders of the Bank = net profit attributable to shareholders of the Bank – dividends of the preference shares and interest of non-fixed-term capital bonds declared during the period.

   The Bank distributed total dividends of RMB2,971 million (before tax) for the preference shares and interest of RMB1,840 million (before tax) for non-fixed-term capital bonds for the year 2023.

3. Diluted earnings per share = (net profit attributable to ordinary shareholders of the Bank + effect of dilutive potential ordinary shares on net profit attributable to ordinary shareholders of the Bank)/(weighted average number of ordinary shares outstanding + weighted average number of potential dilutive ordinary shares converted into ordinary shares).

4. It only includes provision for impairment of loans measured at amortized cost.

5. Return on weighted average equity = net profit attributable to ordinary shareholders of the Bank/weighted average equity attributable to ordinary shareholders of the Bank.

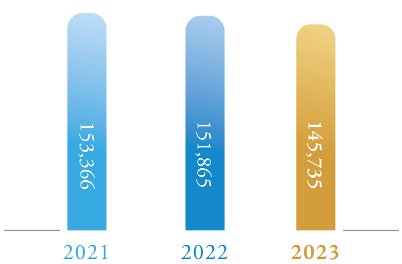
6. Provision coverage ratio = (provision for impairment of loans measured at amortized cost + provision for impairment of loans at fair value through other comprehensive income)/balance of non-performing loans.

7. Provision-to-loan ratio = (provision for impairment of loans measured at amortized cost + provision for impairment of loans at fair value through other comprehensive income)/total loans and advances to customers.

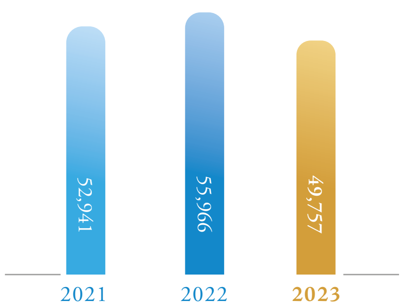
8. There was a business combination under common control of the Group in September 2021. The Group made retrospective adjustments to relevant items in the comparative financial statements, adding a "restated" note to the items after retrospective adjustments.

The above figures with notes 1, 2, 3 and 5 were calculated according to the *Compilation Rules for Information Disclosure by Companies that Offer Securities to the Public (No.9): Calculation and Disclosure of Rate of Return on Equity and Earnings per Share (2010 Revision)* issued by the CSRC.

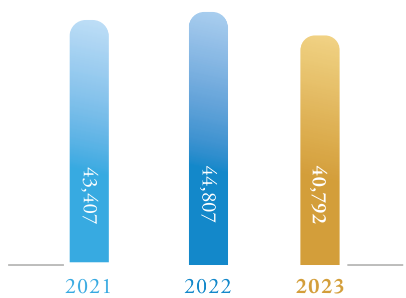
Operating income
Unit: RMB million



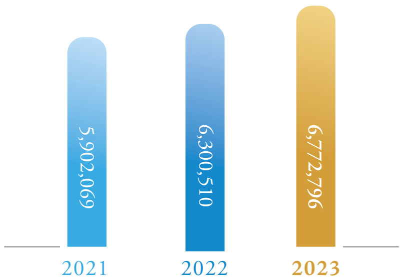
Profit before tax
Unit: RMB million



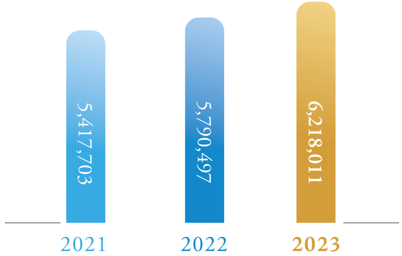
Net profit attributable to shareholders of the Bank
Unit: RMB million



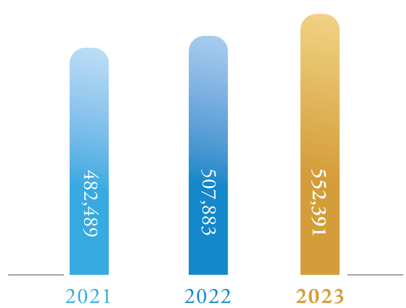
Total assets
Unit: RMB million



Total liabilities
Unit: RMB million



Equity attributable to shareholders of the Bank
Unit: RMB million



II. QUARTERLY OPERATING INDICATORS OF THE YEAR

Unit: RMB million

Item	Q1	Q2	Q3	Q4
Operating income	38,162	38,369	35,724	33,480
Net profit attributable to shareholders of the Bank	12,378	11,694	13,618	3,102
Net cash flows from operating activities	(16,543)	87,308	7,354	(81,733)

III. SUPPLEMENTARY FINANCIAL INDICATORS

Unit: %

Item		Standard value	31 December 2023	31 December 2022	31 December 2021
Liquidity ratio	RMB	≥25	76.71	74.44	75.58
	Foreign currencies	≥25	77.51	123.89	125.41
Percentage of loans to single largest customer		≤10	2.24	1.63	1.17
Percentage of loans to top ten customers		≤50	10.51	8.11	7.74

Note: The above indicators were calculated on a non-consolidated basis.

IV. CAPITAL COMPOSITION AND CHANGES

The capital adequacy ratio (CAR) indicators calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* (Decree No. 1 of CBRC in 2012) are as follows:

Unit: RMB million, %

	31 December 2023		31 December 2022		31 December 2021	
Item	Consolidated[1]	Non-consolidated	Consolidated[1]	Non-consolidated	Consolidated[1]	Non-consolidated
Net capital[2]	651,382	619,209	593,218	564,700	562,254	536,269
Common equity tier-1 capital	448,686	434,433	404,205	393,475	378,813	370,359
Common equity tier-1 capital deductions	(5,586)	(18,435)	(4,809)	(17,650)	(4,021)	(16,893)
Net common equity tier-1 capital[2]	443,100	415,998	399,396	375,825	374,792	353,466
Additional tier-1 capital	105,059	104,899	105,063	104,899	105,062	104,899
Additional tier-1 capital deductions	–	–	–	–	–	–
Net tier-1 capital[2]	548,159	520,897	504,459	480,724	479,854	458,365
Tier-2 capital	103,223	98,312	88,759	83,976	82,400	77,904
Tier-2 capital deductions	–	–	–	–	–	–
Credit risk-weighted assets	4,464,348	4,339,626	4,238,225	4,111,100	3,896,107	3,780,878
Market risk-weighted assets	78,907	80,346	63,211	63,390	41,485	41,833
Operational risk-weighted assets	281,023	268,786	278,336	267,594	267,141	258,913
Total risk-weighted assets	4,824,278	4,688,758	4,579,772	4,442,084	4,204,733	4,081,624
Common equity tier-1 CAR	9.18	8.87	8.72	8.46	8.91	8.66
Tier-1 CAR	11.36	11.11	11.01	10.82	11.41	11.23
CAR	13.50	13.21	12.95	12.71	13.37	13.14

Notes:

1. All domestic and overseas branches, as well as invested financial institutions within the scope of consolidated management in accordance with the *Capital Rules for Commercial Banks (Provisional)*, shall be included in the calculation of the consolidated CARs. Among these, the invested financial institutions within the scope of consolidated management include Everbright Financial Leasing Co., Ltd., Everbright Wealth Management Co., Ltd., Beijing Sunshine Consumer Finance Co., Ltd., CEB International Investment Corporation Limited, China Everbright Bank (Europe) S.A., Shaoshan Everbright Rural Bank Co., Ltd., Jiangsu Huai'an Everbright Rural Bank Co., Ltd., and Jiangxi Ruijin Everbright Rural Bank Co., Ltd.

2. Net common equity tier-1 capital = common equity tier-1 capital – common equity tier-1 capital deductions; net tier-1 capital = net common equity tier-1 capital + additional tier-1 capital – additional tier-1 capital deductions; net capital= net tier-1 capital + tier-2 capital – tier-2 capital deductions.

3. The Group's capital adequacy ratios of all tiers of capital met the regulatory requirements for systemically important banks.

4. The Bank has disclosed the *2023 Capital Adequacy Ratio Report*. Please refer to the websites of SSE, HKEXnews and the Bank for details.

V. LEVERAGE RATIO

The leverage ratio indicators calculated in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks* (Decree No. 1 of CBRC in 2015) are as follows:

Unit: RMB million, %

Item	31 December 2023	30 September 2023	30 June 2023	31 March 2023
Leverage ratio	7.10	6.96	6.90	6.90
Net tier-1 capital	548,159	544,396	534,851	532,701
Adjusted balance of on- and off-balance-sheet assets	7,725,517	7,823,307	7,751,119	7,725,161

Note: The Group's leverage ratios met the regulatory requirements for systemically important banks.

Please refer to "Unaudited Supplementary Financial Information" for more details on leverage ratio.

VI. LIQUIDITY COVERAGE RATIO

The liquidity coverage ratio indicators calculated in accordance with the *Measures for the Administration of Liquidity Risk of Commercial Banks* (Decree No. 3 of CBIRC in 2018) are as follows:

Unit: RMB million, %

Item	31 December 2023	30 September 2023	30 June 2023	31 March 2023
Liquidity coverage ratio	149.17	126.95	116.48	120.72
High quality liquid assets	1,068,057	923,277	889,540	865,139
Net cash outflow in the next 30 days	716,013	727,283	763,701	716,673

Note: All indicators of liquidity risk of the Group met regulatory requirements. There were no other additional regulatory requirements on liquidity to the Group by regulatory authorities.

VII. NET STABLE FUNDING RATIO

The net stable funding ratios calculated in accordance with the *Measures for Information Disclosure Regarding Net Stable Funding Ratios of Commercial Banks* (CBIRC [2019] No. 11) are as follows:

Unit: RMB million, %

Item	31 December 2023	30 September 2023	30 June 2023	31 March 2023
Net stable funding ratio	109.48	107.50	106.34	104.81
Available stable funding	3,914,733	3,849,924	3,804,914	3,779,586
Required stable funding	3,575,681	3,581,192	3,577,939	3,606,220

Please refer to "Unaudited Supplementary Financial Information" for more details on net stable funding ratio.

VIII. INDICATORS OF LARGE EXPOSURES

The indicators of large exposures calculated in accordance with the *Administrative Measures for Large Exposures of Commercial Banks* (Decree No. 1 of CBIRC in 2018) are as follows:

Unit: %

Item	31 December 2023		31 December 2022	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Percentage of loans to the single largest non-bank customer in net capital	2.24	2.37	1.63	1.71
Percentage of exposures of the single largest non-bank customer in net tier-1 capital	2.67	2.81	1.92	2.01
Percentage of exposures of the single largest non-bank group customer or economically interdependent customer in net tier-1 capital	3.52	3.70	4.29	4.50
Percentage of exposures of the single largest interbank customer in net tier-1 capital	3.58	3.69	5.36	5.62
Percentage of exposures of the single largest interbank group customer in net tier-1 capital	4.27	5.10	6.25	6.53

Note: All indicators of large exposures of the Group met regulatory requirements. There was no other additional regulatory requirement on large exposures to the Group by regulatory authorities.


Changes over time
Overview

Management Discussion and Analysis

Management Discussion and Analysis

I. ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENT DURING THE REPORTING PERIOD

As the international landscape involved complex and intertwined changes in 2023, the world was living through accelerating changes unseen in a century, characterized by frequent outbreaks of international political disputes and military conflicts, insufficient growth momentum in the world economy, "Three Highs and One Low" (high inflation, high interest rate, high debt and low growth) phenomenon of the global economy, difficulties in balancing macro policy goals among inflation control, growth stability and risk prevention for certain countries, and severe challenges faced by some developing countries such as currency depreciation, capital flight and debt default.

Acting on the general principle of "keeping stability the top priority and pursuing progress while ensuring stability", the Chinese government applied the new development philosophy in all respects, fostering a new development pattern. The economic performance demonstrated a pattern of starting low, reaching a mid-year high and stabilizing towards the end. Employment and prices remained generally stable, a basic equilibrium was maintained in the international balance of payments, and high-quality development was solidly advanced. As the largest engine of global growth, Chinese economy, with robust endogenous impetus, resilience and potential, reached new heights in its strengths. China's GDP reached RMB126.06 trillion in 2023, up 5.2% from the previous year.

PBOC adopted a prudent monetary policy that is accurate and effective, strengthened counter-cyclical and cross-cyclical adjustments, and employed a comprehensive array of tools including interest rates, reserve funds and re-lending to earnestly serve the real economy and effectively fend off financial risks, providing a favorable monetary and financial environment for economic recovery and growth. China's loan prime rate (LPR) reform showed significant effects, and the market-oriented adjustment mechanism for deposit interest rates effectively played its role, as the efficiency of monetary policy transmission was enhanced and the cost of social financing significantly reduced. The foreign exchange market basically achieved a supply-demand balance, with a stable current account surplus and ample foreign exchange reserves. The RMB exchange rate maintained two-way fluctuations within a reasonable and balanced range with stable expectations, serving as a stabilizer for the macro economy.

NFRA issued multiple policies and measures in alignment with international standards to further refine the regulatory rules for commercial banks and propel financial institutions to improve the quality and efficiency of services provided to the real economy by enhancing risk management capabilities. NFRA guided financial institutions to make significant efforts in the five target areas including technology finance, green finance, inclusive finance, pension finance and digital finance, so as to promote high-quality economic development and common prosperity. NFRA concentrated efforts on preventing and resolving financial risks, with a strict commitment to sticking to the bottom line of no systemic financial risks. NFRA persistently deepened reform and opening-up in the financial industry, improved modern financial regulatory system, and enhanced adaptability, competitiveness and inclusiveness of the financial system.

II. INDUSTRY LANDSCAPE AND STATUS OF THE BANK

In 2023, amid complex and ever-changing economic situations at home and abroad, despite overall heavy pressure on the operation of the banking industry, China's banking financial institutions actively implemented macro control policies, deepened the financial supply-side structural reform, optimized the structure of capital supply, enhanced the efficiency of fund usage, improved the quality and efficiency of services to the real economy, and supported the recovery and growth of national economy. A series of regulations and industry policies promulgated by regulatory authorities encouraged commercial banks to strengthen risk prevention and maintain sound development. For banking financial institutions, both assets and liabilities expanded steadily and the overall operation remained stable.

The Bank adhered to the general principle of keeping stability the top priority and pursuing progress while ensuring stability, focused on core responsibilities and businesses, fulfilled responsibilities as a central enterprise, comprehensively deepened reforms in institutions and mechanisms, continuously improved corporate governance mechanism, advanced the integration of finance and technology, and constantly enhanced online service capabilities, with the level of digitalization, intelligence, and intensification significantly improved. The Bank fully implemented national strategies, precisely supported major strategies, key areas and weak links, and continuously enhanced financial service capabilities and levels, as manufacturing loans, green loans, inclusive loans and loans to private enterprises grew faster than the average loan growth rate of the Bank. The Bank strengthened comprehensive risk management by taking targeted measures for different risk categories to effectively prevent and resolve financial risks, stuck to the risk bottom line strictly, and enhanced its high-quality development abilities.

III. DEVELOPMENT STRATEGY OF THE BANK

i. Strategic principles

First, the Bank stays on the right course by upholding the leadership of the Communist Party of China (CPC). The Bank insists on the centralized and unified leadership of the CPC Central Committee over the financial work, adheres to the political responsibility and political mission as a financial state-owned enterprise, and rigorously implements various decisions and deployments made by the CPC Central Committee.

Second, the Bank contributes to public welfare by standing firmly on the people's position. The Bank adheres to a people-centered value orientation, considers using finance to serve the real economy as its fundamental purpose, persists in serving national strategies and socioeconomic development, focuses on the most pressing, direct and practical interests of the people, and continuously turns the idea of protecting people's interests and enhancing public welfare into tangible actions.

Third, the Bank promotes high-quality development by upholding the new development philosophy. The Bank maintains the overall work tone of pursuing progress while ensuring stability, implements the new development philosophy in a complete, accurate and all-round manner, and strives to achieve effective qualitative improvement with reasonable quantitative growth. The Bank focuses on strengthening competitiveness, innovation and risk resistance ability, and counters external uncertainties with the certainties arising from high-quality development.

Fourth, the Bank unleashes innovative vitality by persistently deepening reforms. The Bank insists on promoting financial innovation and development in a market-oriented and law-based framework, deepens the financial supply-side structural reform, enhances innovation based on customers' changing needs, deepens reforms in institutions and mechanisms with better resource allocation, and spares no effort to tackle various challenges in business management to gain competitive edges in industry development and market competition.

Fifth, the Bank persist in achieving efficient collaboration by clinging to a systemic perspective. The Bank insists on the coordination between financial openness and security, accelerating the formation of a development model where scale, quality, efficiency and structure are inter-coordinated, fosters collaborative innovation, and leverages the advantages of scale economy, scope economy and synergy.

Sixth, the Bank strictly sticks to the risk bottom line by persisting in prudent operation. The Bank regards risk prevention and control as an eternal theme in the financial work, strengthens legal compliance management, internal control management and comprehensive risk management, elevates the level of intelligence in risk management, and continuously improves capabilities in risk identification, assessment, monitoring and control to firmly guard against systemic financial risks.

ii. Development approaches

The Bank upholds and strengthens the comprehensive leadership of the Communist Party of China, focuses on the main task of serving the real economy and achieving high-quality development, determines three North Star Metrics (NSMs) — FPA (Finance Product Aggregate), AUM (Assets Under Management) and GMV (Gross Merchandise Volume), invests more efforts in serving five target areas — technology finance, green finance, inclusive finance, pension finance and digital finance, and strives to build strategic business fields such as wealth management, comprehensive services, transaction banking and scenario integration, thereby establishing its own distinct characteristics and competitive edges.

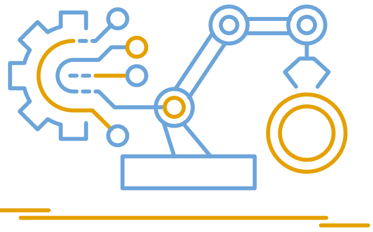
In wealth management, the Bank emphasizes synergy and value creation across retail, corporate and financial market sectors, aims to build a "Wealth +" open platform with CEB Mobile Banking and Cloud Fee Payment apps at its core, and creates a mega wealth management ecosystem that spans wealth management, asset management and asset custody, to help various clients achieve wealth preservation, increase and succession.

In comprehensive services, the Bank focuses on creating a unified financial ecosystem characterized by "one-stop integrated services as one Everbright for one customer", advances the integrated development of commercial banking, investment banking and private banking, ensures connectivity between the Bank's assets and liabilities, between corporate and interbank customers, and between corporate and retail businesses, and enhances cross-level collaborative dynamics and digital empowerment, providing a package of comprehensive service solutions for customers.

In transaction banking, the Bank is dedicated to deepening financial services for core customers in industrial chains and supply chains, establishes a regular collaborative marketing mechanism between product design departments and customer management departments, and ensures meeting customers' needs in a precise manner, meeting their diversified and differentiated demands while enhancing customer value.

In scenario integration, the Bank focuses on digital livelihood, digital industry and digital governance, expands the application and output scope of featured products and services including Cloud Fee Payment, Sunshine Logistics Express (Wu Liu Tong), Auto Full Pass, Sunshine Housing Express (An Ju Tong), Sunshine Flexible Employment Express (Ling Gong Tong) and Sunshine Cash Management (Zhi Fu Jie Suan Tong), and establishes a new format of scenario-based finance where the Bank serves as the primary account management, settlement, and transaction hub. To robustly support the development of key business areas, the Bank conducts projects to enhance its capabilities in customer base management, technological support, risk management, product innovation & integration and staff professionalism, pressing ahead with high-quality development.

iii. Strategic implementation



Corporate loans (excluding discount loans)

12.14%

Loans to manufacturing sector

24.74%

Loans to strategic emerging industries

46.71%

Loans to tech enterprises

50.64%

Loans to green projects

57.44%

During the reporting period, the Bank, as a resolute implementer of national strategies, proactively serves and integrates into China's new development pattern. By focusing on the three NSMs (FPA, AUM and GMV), the Bank expanded key business areas and strengthened capability building, striving to promote high-quality and sustainable development.

1. **The Bank actively supported the real economy and enhanced sustainability of development.** Upholding the original purpose of finance, the Bank focused on supporting the real economy as its fundamental mission for economic growth. The Bank promoted steady growth in total credit, devises separate credit plans for key areas such as inclusive finance, micro and small enterprises (MSEs), manufacturing, technological innovation, strategic emerging industries, green development and rural revitalization, and makes preferential policies for differentiated funds transfer pricing and capital cost discounts, continuously enhancing targeted support for major strategies, key areas and weak links. As at the end of the reporting period, the Bank's corporate loans (excluding discount loans) increased by 12.14% over the end of the previous year, with loans to the manufacturing sector, strategic emerging industries, tech enterprises and green projects growing by 24.74%, 46.71%, 50.64% and 57.44%, respectively. By responding to the complex and fast-changing external environment, the Bank, rooted in the real economy, grew its business scale steadily with profitability meeting expectations. The total assets of the Bank reached RMB6.77 trillion, with a net profit of RMB41,076 million.

2. **The Bank promoted business structural adjustment with the three NSMs as indicators.** In corporate banking, the Bank took FPA as the guide and integrated the advantages of commercial banking, investment banking and private banking to serve customers throughout their entire life cycles with a full range of financing products. Through the integration of commercial banking, investment banking and private banking, the efficiency of value creation continued to improve, with the total FPA reaching RMB5.09 trillion, up 5.06% from the end of the previous year. In retail banking, the Bank, with AUM as the target indicator, highlighted two features of "wealth management and fintech", focused on four core businesses of "wealth management, retail deposits, retail loans and credit card business", strengthened five capabilities of "customer management, dual-curve model, scenario-based empowerment, technology-based empowerment and multi-synergy", and built the whole chain of mega wealth management ecosystem covering "wealth management, asset management and asset custody". The total AUM of the Bank reached RMB2.73 trillion, up 12.42% from the end of the previous year. In financial market business, the Bank, guided by GMV, constructed a new format of digital operation, launched the Integrated Digital Service Platform for Financial Institutions, provided interbank customers with four major services including product agency sales, matchmaking & dealing, technology output and research information, and upgraded the comprehensive management model for interbank customer base. The total GMV of the Bank reached RMB3.94 trillion, a year-on-year increase of 18.14%.

3. **The Bank improved risk governance system to heighten risk resistibility.** In adherence to the sound and prudent risk management policy, the Bank actively implemented regulatory requirements, improved its risk management system, and strengthened its abilities to deal with various risks. The Bank established the "1+4" credit and investment policy system integrating investment, industry, region, product and portfolio, so as to strengthen commercialization of research findings and optimize asset structure. The Bank put in place a pre-review and consultation mechanism, strengthened customer concentration management, continuously strengthened penetration risk monitoring and compulsory response mechanism for large-value credit customers, and reinforced assessment on the cost of risks. The Bank strictly enforced the *Measures for the Risk Classification of Financial Assets of Commercial Banks*, developed plans to implement the new rule of risk classification during the transition period, and refined the risk classification system for financial assets.

4. **The Bank continued to advance technological empowerment by accelerating digital transformation.** The Bank persistently deepened the integration between business and technology, advanced the implementation of key projects in business middle office, data middle office and technology middle office, and achieved phased results. The Bank realized intelligent and automated approval for online financing products targeted at small and medium enterprises including "SRDI (Specialized, Refined, Distinctive and Innovative) Enterprise Loan", launched the functions integrating front, middle and back offices such as bond funds, money market funds and RMB interbank lending on the Treasury Business Integrated Management Platform, and completed the construction of the Integrated Digital Service Platform for Financial Institutions. The Bank maintained the advantages of the Everbright Cloud Fee Payment platform as a leading convenient payment service in China, continuously increased service items, expanded output channels for Cloud Fee Payment, accelerated scenario expansion in key areas such as logistics, housing transactions, off-campus education and flexible employment, and strengthened dual-platform construction and integrated operation for CEB Mobile Banking and Cloud Fee Payment apps. The Bank enhanced its capabilities in providing digital, intelligent and convenient services by building an open-ended digital ecosystem.

Case 1: Advancing collaborative operation to elevate the value of synergy

In 2023, the Bank, as the lead underwriter, underwrote CEG's seven tranches of interbank debt financing instruments to help CEG successfully raise financing of RMB16.5 billion. The Bank collaborated with Sun Life Everbright Asset Management Co., Ltd. to innovatively develop and issue RMB7 billion of consumer finance asset-backed securities plans – "An Ying" series. The Bank partnered with Everbright Xinglong Trust Co., Ltd. to land the first domestic trust scheme for individuals with disabilities in China and launch 28 family trust schemes, with an outstanding scale totaling RMB655 million. In support of the construction of Guangdong-Hong Kong-Macao Greater Bay Area, the Bank initiated the area's first bank-insurance collaborative ICP (Insurance Collateralized Plan), titled "Everbright Sun Life – Renping Island Infrastructure Debt Investment Plan," with a total registered capital of RMB1.5 billion. The Bank worked with Everbright Securities Co., Ltd. to launch a series of innovative bank-securities collaborative projects in Zhejiang Province to revitalize stock assets in the region, with a total scale of over RMB3.5 billion. Through collaborative marketing of agency sale products, the Bank realized personal customer migration for over 4.3 million person-times.

During the year, through collaborative operation within the CEG, the Bank realized cross-sales of RMB34,123 million, a year-on-year increase of 3.78%, providing customers with co-financing of RMB172,490 million.

IV. CORE COMPETITIVENESS OF THE BANK

First, the Bank has a strong shareholder background. CEG, as a large state-owned financial holding conglomerate jointly established by MOF and CHI, has a complete set of financial licenses and some characteristic industries including environmental protection, tourism and healthcare, which demonstrates its advantages in comprehensive finance, industry-finance collaboration and cross-border operation. Relying on the platform of CEG, the Bank could provide a full package of financial services and promote coordinated development of finance and industry.

Second, the Bank has an outstanding innovative gene. The Bank has a robust drive for innovation-led development, which is proven by the fact that it was the first among Chinese banks to launch RMB wealth management products and it has built China's largest open-ended fee payment platform called Cloud Fee Payment.

Third, the Bank has achieved phased success in the strategic transformation of wealth management. The Bank has seized development opportunities in a precise manner, as a pioneer in the industry to initiate the strategic transformation of wealth management, and cultivated relatively strong competitive edges in areas such as wealth management, asset management and comprehensive finance.

Fourth, the Bank operates in a steady manner. The Bank has always upheld a prudent risk management philosophy, persisted in stable business development strategies and taken compliant and lawful operation measures. The Bank's comprehensive risk management methods and techniques have become increasingly diversified. Meanwhile, its proactive and forward-looking risk management capabilities are constantly enhanced, which lays a foundation for long-term sustainable development.

Fifth, the Bank boasts a strong foundation for technological development. The Bank has continuously advanced in-depth integration between business and technology, dedicated efforts to creating a technology-led and data-driven IT development system with Everbright characteristics, and accelerated digital transformation across the whole Bank, with both the foundation for technology and its capability to empower business development constantly enhanced.

V. REVIEW OF MAIN WORK OF THE BANK

i. Actively serving the real economy

Adhering to the fundamental purpose of serving the real economy with financial services, which is also the starting point and focus point of business operation, the Bank took the lead in implementing national major strategies and supporting the coordinated development of key regions. During the reporting period, the Bank maintained rapid growth in total credit, continuously optimized its business structure, and increasingly strengthened support for key areas and weak links. Among these, loans for key areas such as technological innovation, strategic emerging industries, manufacturing, green finance, inclusive finance, inclusive MSEs and agriculture-related projects saw significantly higher growth rates than normal loans.

ii. Continuously advancing business transformation

Insisting on seeking benefits from market, management and cost reduction, the Bank promoted development transformation with internal driving forces. Assets, liabilities, revenues and profits remained stable overall, with the three NSMs (FPA, AUM and GMV) growing steadily. Total FPA exceeded RMB5 trillion, with the bond underwriting amount ranking at the forefront among peers. AUM reached RMB2.73 trillion, with the scale of wealth management products registering at RMB1.31 trillion and the number of private banking customers growing at fast rates for four consecutive years. GMV reached RMB3.94 trillion, with the interbank agency sales business achieving rapid breakthroughs. The Bank successfully converted RMB16.9 billion of convertible bonds into shares and issued RMB15 billion of tier-2 capital bonds, improving the capital adequacy ratio. The Bank strengthened expense control, achieving positive results in cost reduction and efficiency enhancement.

iii. Comprehensively strengthening risk management and control

Strictly adhering to the risk bottom line, the Bank promoted special governance actions for risk prevention and resolution, continuously enhancing its risk management capabilities. The Bank established a risk grading and classification management mechanism for assets with potential risks, strengthened risk control in key areas, and waged a decisive battle against risks in critical areas such as real estate and local government financing vehicles (LGFVs). The Bank optimized risk control mechanism and promoted reforms in the credit approval process. By comprehensively applying various asset recovery and disposal methods, the Bank stepped up efforts to dispose of non-performing assets, with the overall asset quality remaining stable. The Bank increased provisions, with impairment losses on assets growing by 2.96% year-on-year.

iv. Continuously enhancing social influence

While promoting high-quality business development, the Bank insisted on implementing new consumer protection regulations with a people-centered approach, and actively responded to customers' demands, realizing better results in the evaluations conducted by NFRA and PBOC on the Bank's consumer protection work, with both the volume and the rank in terms of customer complaints improved. The Bank was awarded the "China Brand Building Case" by *People's Daily*, and the "Best Joint-stock Bank of the Year" by *Financial News*. The Bank was rated A in the MSCI ESG ratings for the first time. The Bank's brand popularity and social recognition continued to enhance.

VI. OVERALL OPERATIONS OF THE BANK

Total assets

7.50%

Total loans and advances to customers

6.01%

Balance of deposits

4.53%

Converted convertible bonds into stocks

RMB 16.9 billion

Issued tier-2 capital bonds

RMB 15 billion

CAR

0.55 percentage point

Tier-1 CAR

0.35 percentage point

Common equity tier-1 CAR

0.46 percentage point

i. Business scale grew steadily as strong and effective support was given to the real economy.

During the reporting period, the Group continued to increase its financial support for major strategies, key areas and weak links, achieving high-quality development and facilitating steady growth in business scale in serving the real economy.

As at the end of the reporting period, the Group's total assets posted RMB6,772.796 billion, representing an increase of RMB472,286 million or 7.50% from the end of the previous year. Total loans and advances to customers stood at RMB3,786,954 million, representing an increase of RMB214,678 million or 6.01%, with loans to areas such as inclusive finance, green finance, manufacturing, strategic emerging industries, technology enterprises and private enterprises all increased rapidly. The balance of deposits amounted to RMB4,094.528 billion, representing an increase of RMB177.360 billion or 4.53% from the end of the previous year.

ii. Operating income declined year-on-year, with a narrowed decrease in the fourth quarter.

During the reporting period, the Group's operating income registered RMB145,735 million, a year-on-year decrease of 4.04%. In the fourth quarter, the operating income decreased by 2.83% year-on-year, with a significantly narrowed decrease compared to the first three quarters. Specifically, net interest income posted RMB107,480 million, down 5.43% year on year, and net fee and commission income posted RMB23,698 million, down 11.39% year on year. The Group realized a net profit of RMB41,076 million, a year-on-year decrease of 8.80%, mainly because it increased provisions for asset impairment losses to strengthen the foundation of asset quality control, resulting in a year-on-year increase of 2.96% in provisions for impairment losses on assets, thereby enhancing the Group's ability to withstand risks.

iii. Risk control capabilities continuously improved, with overall asset quality remaining stable and controllable.

As at the end of the reporting period, the Group's NPL was RMB47,476 million, an increase of RMB2,802 million from the end of the previous year. The NPL ratio was 1.25%, the same as the previous year. The ratio of special mention loans stood at 1.84%, unchanged from the end of the previous year. The ratio of overdue loans was 1.95%, a decrease of 0.01 percentage point from the end of the previous year. The provision coverage ratio was 181.27%, a decrease of 6.66 percentage points from the end of the previous year.

iv. Capital was supplemented through multiple channels, with capital adequacy ratios of all tiers meeting regulatory requirements.

During the reporting period, the Group successfully converted RMB16.9 billion of convertible bonds into stocks and completed the issuance of RMB15 billion of tier-2 capital bonds, thereby effectively strengthening the capital base. As at the end of the reporting period, the Group's net capital stood at RMB651,382 million, an increase of 9.80% from the end of the previous year. The CAR, tier-1 CAR and common equity tier-1 CAR stood at 13.50%, 11.36% and 9.18% respectively, all of which met regulatory requirements.

VII. MAIN ITEMS OF INCOME STATEMENT

i. Changes in income statement items

Unit: RMB million

Item	2023	2022	Change
Net interest income	107,480	113,655	(6,175)
Net fee and commission income	23,698	26,744	(3,046)
Net trading gains	3,233	2,470	763
Dividend income	44	49	(5)
Net gains arising from investment securities	8,926	6,416	2,510
(Losses)/gains on derecognition of financial assets measured at amortized cost	(555)	858	(1,413)
Net foreign exchange gains	1,125	484	641
Other net operating gains	1,784	1,189	595
Operating expenses	43,909	45,227	(1,318)
Impairment losses on credit assets	52,075	50,600	1,475
Impairment losses on other assets	30	9	21
Gains/(losses) from joint ventures	36	(63)	99
Profit before tax	49,757	55,966	(6,209)
Income tax	8,681	10,926	(2,245)
Net profit	41,076	45,040	(3,964)
Net profit attributable to shareholders of the Bank	**40,792**	**44,807**	**(4,015)**

ii. Operating income

During the reporting period, the Group realized an operating income of RMB145,735 million, a year-on-year decrease of RMB6,130 million or 4.04%. Net interest income accounted for 73.75%, down 1.09 percentage points year on year. Net fee and commission income accounted for 16.26%, down 1.35 percentage points year on year.

Unit: %

Item	2023	2022
Proportion of net interest income	73.75	74.84
Proportion of net fee and commission income	16.26	17.61
Proportion of other income	9.99	7.55
Total operating income	**100.00**	**100.00**

iii. Net interest income

During the reporting period, the Group realized a net interest income of RMB107,480 million, a year-on-year decrease of RMB6,175 million or 5.43%.

The Group's net interest spread was 1.68%, a year-on-year decrease of 25 bps. Net interest margin was 1.74%, a year-on-year decrease of 27 bps. Such changes were mainly due to factors such as repricing of lending rates, decline in interest rates for newly issued loans, and adjustment in interest rates on existing housing loans.

Unit: RMB million/%

Item	2023 Average balance	2023 Interest income/ expense	2023 Average yield/cost ratio	2022 Average balance	2022 Interest income/ expense	2022 Average yield/cost ratio
Interest-earning assets						
Loans and advances to customers	3,688,794	175,189	4.75	3,470,892	172,825	4.98
Finance lease receivables	107,440	5,503	5.12	109,329	6,084	5.56
Investments	1,731,458	57,568	3.32	1,533,559	53,358	3.48
Deposits with the central bank	312,062	4,667	1.50	319,628	4,619	1.45
Placements and deposits with banks and other financial institutions, and financial assets held under resale agreements	325,391	7,882	2.42	229,349	4,423	1.93
Total interest-earning assets	6,165,145	250,809	4.07	5,662,757	241,309	4.26
Interest income		**250,809**			**241,309**	
Interest-bearing liabilities						
Deposits from customers	3,999,130	92,898	2.32	3,759,684	86,392	2.30
Placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements	1,031,086	25,391	2.46	846,774	18,142	2.14
Debt securities issued	965,251	25,040	2.59	881,759	23,120	2.62
Total interest-bearing liabilities	5,995,467	143,329	2.39	5,488,217	127,654	2.33
Interest expenses		**143,329**			**127,654**	
Net interest income		**107,480**			**113,655**	
Net interest spread[1]			**1.68**			**1.93**
Net interest margin[2]			**1.74**			**2.01**

Notes:

1. Net interest spread is the difference between the average yield of total interest-earning assets and the average cost of total interest-bearing liabilities.

2. Net interest margin is the net interest income divided by the average balance of total interest-earning assets.

Management Discussion and Analysis

The following table sets forth the changes in interest income and interest expenses of the Group due to changes in business scale and interest rate:

Unit: RMB million

Item	Scale factor	Interest rate factor	Change in interest
Loans and advances to customers	10,850	(8,486)	2,364
Finance lease receivables	(105)	(476)	(581)
Investments	6,886	(2,676)	4,210
Deposits with the central bank	(109)	157	48
Placements and deposits with banks and other financial institutions, and financial assets held under resale agreements	1,852	1,607	3,459
Changes in interest income	**19,374**	**(9,874)**	**9,500**
Deposits from customers	5,502	1,004	6,506
Placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements	3,949	3,300	7,249
Debt securities issued	2,189	(269)	1,920
Changes in interest expenses	**11,640**	**4,035**	**15,675**
Net interest income	**7,734**	**(13,909)**	**(6,175)**

iv. Interest income

During the reporting period, the Group realized an interest income of RMB250,809 million, a year-on-year increase of RMB9,500 million or 3.94%. Such increase was mainly due to the expanding interest income from investments.

1. Interest income from loans and advances to customers

During the reporting period, the Group's interest income from loans and advances to customers amounted to RMB175,189 million, a year-on-year increase of RMB2,364 million or 1.37%. Such increase was mainly due to the expanding scale of loans.

Unit: RMB million/%

Item	2023 Average balance	2023 Interest income	2023 Average yield ratio	2022 Average balance	2022 Interest income	2022 Average yield ratio
Corporate loans	2,071,033	86,788	4.19	1,874,288	81,033	4.32
Personal loans	1,519,007	86,838	5.72	1,479,464	89,442	6.05
Discounted bills	98,754	1,563	1.58	117,140	2,350	2.01
Loans and advances to customers	**3,688,794**	**175,189**	**4.75**	**3,470,892**	**172,825**	**4.98**

2. Interest income from investments

During the reporting period, the Group's interest income from investments amounted to RMB57,568 million, a year-on-year increase of RMB4,210 million or 7.89%. Such increase was mainly due to the expanding investment scale.

3. Interest income from placements and deposits with banks and other financial institutions, and financial assets held under resale agreements

During the reporting period, the Group's interest income from placements and deposits with banks and other financial institutions and financial assets held under resale agreements was RMB7,882 million, a year-on-year increase of RMB3,459 million or 78.20%. Such increase was mainly due to the increase in both the scale and yield of placements and deposits with banks and other financial institutions, and financial assets held under resale agreements.

v. Interest expenses

During the reporting period, the Group's interest expenses amounted to RMB143,329 million, representing a year-on-year increase of RMB15,675 million or 12.28%. Such increase was mainly due to the growing interest expenses on placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements.

1. Interest expenses on deposits from customers

During the reporting period, the Group's interest expenses on deposits from customers amounted to RMB92,898 million, a year-on-year increase of RMB6,506 million or 7.53%. Such increase was mainly due to the increase in both the scale and interest rate of deposits from customers.

Unit: RMB million, %

Item	2023 Average balance	2023 Interest expenses	2023 Average cost ratio	2022 Average balance	2022 Interest expenses	2022 Average cost ratio
Corporate deposits	2,839,223	65,372	2.30	2,836,706	64,098	2.26
Demand deposits	975,830	13,076	1.34	845,312	8,824	1.04
Time deposits	1,863,393	52,296	2.81	1,991,394	55,274	2.78
Personal deposits	1,159,907	27,526	2.37	922,978	22,294	2.42
Demand deposits	241,548	868	0.36	234,195	968	0.41
Time deposits	918,359	26,658	2.90	688,783	21,326	3.10
Total deposits from customers	**3,999,130**	**92,898**	**2.32**	**3,759,684**	**86,392**	**2.30**

2. Interest expenses on placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements

During the reporting period, the Group's interest expenses on placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements registered RMB25,391 million, representing an increase of RMB7,249 million or 39.96% year on year. Such increase was mainly due to the increase in both the scale and interest rates of placements and deposits from banks and other financial institutions.

3. Interest expenses on debt securities issued

During the reporting period, the Group's interest expenses on debt securities issued totaled RMB25,040 million, a year-on-year increase of RMB1,920 million or 8.30%. Such increase was mainly due to the increase in the scale of debt securities issued.

vi. Net fee and commission income

During the reporting period, net fee and commission income of the Group was RMB23,698 million, a year-on-year decrease of RMB3,046 million or 11.39%. Such decrease was mainly due to the year-on-year decrease in the bank card service fees of RMB1,852 million or 14.17%.

Unit: RMB million

Item	2023	2022
Fee and commission income	**26,724**	**30,077**
Bank card service fees	11,215	13,067
Wealth management service fees	4,141	4,677
Settlement and clearing fees	3,782	4,271
Agency service fees	2,809	3,149
Custody and other fiduciary business fees	2,057	2,058
Acceptance and guarantee fees	1,454	1,486
Underwriting and advisory fees	1,241	1,335
Others	25	34
Fee and commission expenses	**(3,026)**	**(3,333)**
Net fee and commission income	**23,698**	**26,744**

vii. Other income

During the reporting period, the Group's other income stood at RMB14,557 million, representing a year-on-year increase of RMB3,091 million. Such increase was mainly due to the increase in net gains arising from investment securities.

Unit: RMB million

Item	2023	2022
Net trading gains	3,233	2,470
Dividend income	44	49
Net gains arising from investment securities	8,926	6,416
(Losses)/gains from derecognition of financial assets measured at amortized cost	(555)	858
Net foreign exchange gains	1,125	484
Other operating income	1,784	1,189
Total other income	**14,557**	**11,466**

viii. Operating expenses

During the reporting period, the Group incurred operating expenses of RMB43,909 million, a year-on-year decrease of RMB1,318 million or 2.91%. Cost-to-income ratio stood at 28.95%, a year-on-year increase of 0.33 percentage point.

Unit: RMB million

Item	2023	2022
Staff remuneration costs	21,716	22,237
Premises and equipment expenses	7,638	7,327
Tax and surcharges	1,716	1,766
Others	12,839	13,897
Total operating expenses	**43,909**	**45,227**

ix. Impairment losses on assets

During the reporting period, the Group pursued an objective and prudent provisioning policy, continued to consolidate the provision foundation and increased risk-resisting abilities. The Bank sustained impairment losses on assets totaling RMB52,105 million, representing a year-on-year increase of RMB1,496 million or 2.96%.

Unit: RMB million

Item	2023	2022
Impairment losses on loans and advances to customers	45,155	47,668
Loans and advances to customers measured at amortized cost	45,241	47,366
Loans and advances to customers at fair value through other comprehensive income	(86)	302
Debt instruments at fair value through other comprehensive income	134	500
Financial investments measured at amortized cost	5,732	2,062
Impairment losses on finance lease receivables	597	815
Others	487	(436)
Total impairment losses on assets	**52,105**	**50,609**

x. Income tax

During the reporting period, the Group incurred income tax of RMB8,681 million, a year-on-year decrease of RMB2,245 million or 20.55%, mainly due to the decrease in taxable income caused by growing non-taxable income, rising deductible impairment losses on assets and declining profit.

VIII. BALANCE SHEET ANALYSIS

i. Assets

As at the end of the reporting period, the Group's total assets reached RMB6,772,796 million, an increase of RMB472,286 million or 7.50% as compared with the end of the previous year, mainly due to the increase in loans and advances to customers.

Unit: RMB million, %

Item	31 December 2023 Balance	31 December 2023 Percentage	31 December 2022 Balance	31 December 2022 Percentage
Total loans and advances to customers	3,786,954		3,572,276	
Loan interest receivable	11,342		10,255	
Provision for impairment of loans[Note]	(85,371)		(83,180)	
Net loans and advances to customers	3,712,925	54.83	3,499,351	55.55
Finance lease receivables	99,158	1.46	108,012	1.71
Due from banks and other financial institutions	39,942	0.59	32,073	0.51
Cash and due from central bank	349,184	5.16	356,426	5.66
Investment in securities and other financial assets	2,254,786	33.29	2,062,342	32.73
Precious metals	6,916	0.10	7,187	0.11
Placements with banks and other financial institutions, and financial assets held under resale agreements	209,742	3.10	130,007	2.06
Long-term equity investment	204	0.00	165	0.00
Fixed assets	25,838	0.38	26,174	0.42
Right-of-use assets	10,408	0.15	10,281	0.16
Goodwill	1,281	0.02	1,281	0.02
Deferred tax assets	33,974	0.50	32,703	0.52
Other assets	28,438	0.42	34,508	0.55
Total assets	**6,772,796**	**100.00**	**6,300,510**	**100.00**

Note: It only includes provision for impairment of loans measured at amortized cost.

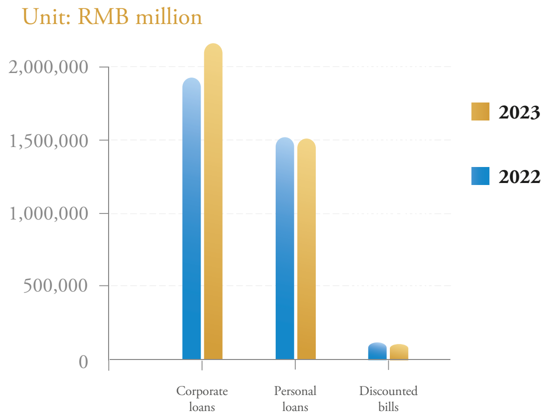
1. Loans and advances to customers

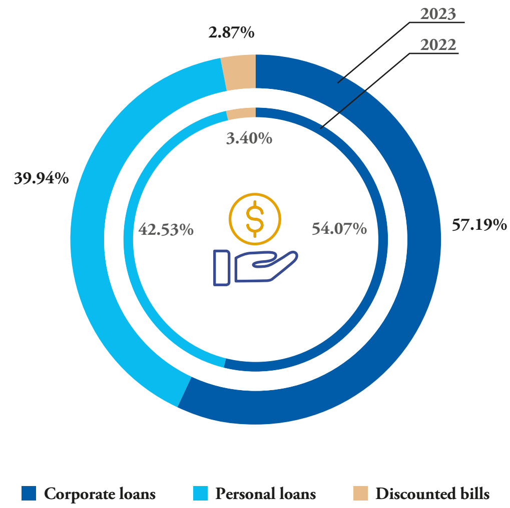
As at the end of the reporting period, the Group's total loans and advances to customers were RMB3,786,954 million, an increase of RMB214,678 million or 6.01% as compared with the end of the previous year. The proportion of loans and advances to customers in total assets was 55.91%, a decrease of 0.79 percentage point as compared with the end of the previous year.

Unit: RMB million, %

Item	31 December 2023 Balance	31 December 2023 Percentage	31 December 2022 Balance	31 December 2022 Percentage
Corporate loans	2,165,840	57.19	1,931,450	54.07
Personal loans	1,512,616	39.94	1,519,119	42.53
Discounted bills	108,498	2.87	121,707	3.40
Total loans and advances to customers	**3,786,954**	**100.00**	**3,572,276**	**100.00**

Major composition of the Group's loans and advances as at the end of the reporting period





2. Investment in securities and other financial assets

As at the end of the reporting period, the Group's investments in securities and other financial assets totaled RMB2,254,786 million, an increase of RMB192,444 million as compared with the end of the previous year, accounting for 33.29% of total assets, up 0.56 percentage point as compared with the end of the previous year.

Unit: RMB million, %

Item	31 December 2023		31 December 2022	
	Balance	Percentage	Balance	Percentage
Financial assets at fair value through profit or loss	432,896	19.20	403,617	19.57
Derivative financial assets	13,324	0.59	15,730	0.76
Debt instruments at fair value through other comprehensive income	561,047	24.88	449,596	21.81
Financial investments measured at amortized cost	1,246,387	55.28	1,192,273	57.81
Equity instruments at fair value through other comprehensive income	1,132	0.05	1,126	0.05
Total investment in securities and other financial assets	**2,254,786**	**100.00**	**2,062,342**	**100.00**

3. Types and amounts of financial bonds held

As at the end of the reporting period, the financial bonds held by the Group amounted to RMB673,082 million, down RMB4,999 million over the end of the previous year. Of these, the financial bonds measured at amortized cost occupied a proportion of 66.84% in total.

Unit: RMB million, %

Item	31 December 2023 Balance	31 December 2023 Percentage	31 December 2022 Balance	31 December 2022 Percentage
Financial assets at fair value through profit or loss	58,750	8.73	100,233	14.78
Financial investments measured at amortized cost	449,905	66.84	416,943	61.49
Debt instruments at fair value through other comprehensive income	164,427	24.43	160,905	23.73
Total financial bonds held	**673,082**	**100.00**	**678,081**	**100.00**

4. Top 10 financial bonds held in scale

Unit: RMB million, %

Name of bond	Nominal value	Annual interest rate	Maturity date	Allowance for impairment losses
Bond 1	21,870	4.04	2027-04-10	–
Bond 2	19,290	4.24	2027-08-24	–
Bond 3	18,150	3.05	2026-08-25	–
Bond 4	14,930	4.39	2027-09-08	–
Bond 5	13,420	3.18	2026-04-05	–
Bond 6	12,480	3.86	2029-05-20	–
Bond 7	12,340	4.04	2028-07-06	–
Bond 8	12,140	4.65	2028-05-11	–
Bond 9	11,550	4.73	2025-04-02	–
Bond 10	10,370	3.63	2026-07-19	–

5. Goodwill

The cost of the Group's goodwill stood at RMB6,019 million. As at the end of the reporting period, the allowance for impairment losses on goodwill was RMB4,738 million, and the book value of goodwill registered RMB1,281 million, the same as the end of the previous year.

6. For the details about the collateralized assets of the Bank as at the end of the reporting period, please refer to "Notes to Consolidated Financial Statements".

ii. Liabilities

During the reporting period, the Bank formulated the *Management Measures for Liability Quality* in accordance with relevant regulatory requirements, established its own liability quality management system, improved the organizational structure for liability quality management, clarified the responsibilities of the Board of Directors, Senior Management, relevant departments and operating institutions in liability quality management, and specified the liability quality management strategies, management procedure, reporting system, information disclosure and emergency response plans. The Bank strictly implemented the requirements for liability quality management, and closely monitored relevant limit indicators. Through these efforts, the Bank recorded a steady growth in total liabilities and a decrease amid stability in liability cost with a diversified and reasonable structure, the overall liability quality condition was good, and the six major elements of liability quality management were implemented well during the whole year.

As at the end of the reporting period, the Group's total liabilities reached RMB6,218,011 million, an increase of RMB427,514 million or 7.38% as compared with the end of the previous year, mainly due to the increase in debt securities issued and deposits from customers.

Unit: RMB million, %

Item	31 December 2023 Balance	31 December 2023 Percentage	31 December 2022 Balance	31 December 2022 Percentage
Due to the central bank	99,633	1.60	63,386	1.09
Due to customers	4,094,528	65.85	3,917,168	67.65
Due to banks and other financial institutions	552,326	8.88	540,668	9.34
Placements from banks and other financial institutions	194,205	3.12	188,601	3.26
Financial liabilities at fair value through profit or loss	–	–	27	0.00
Derivative financial liabilities	13,946	0.22	14,261	0.25
Financial assets sold under repurchase agreements	73,115	1.18	92,980	1.61
Accrued staff costs	20,064	0.32	19,006	0.33
Taxes payable	7,304	0.12	11,141	0.19
Lease liabilities	10,349	0.17	10,151	0.17
Debt securities payable	1,099,326	17.68	875,971	15.13
Other liabilities	53,215	0.86	57,137	0.98
Total liabilities	**6,218,011**	**100.00**	**5,790,497**	**100.00**

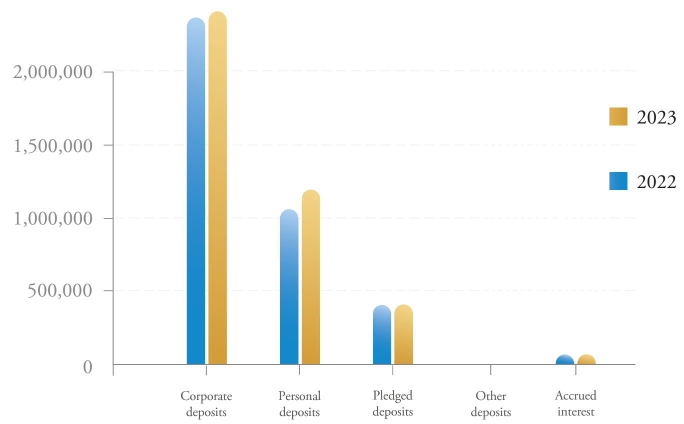
As at the end of the reporting period, the balance of the Group's deposits from customers reached RMB4,094,528 million, representing an increase of RMB177,360 million or 4.53%, as compared with the end of the previous year.

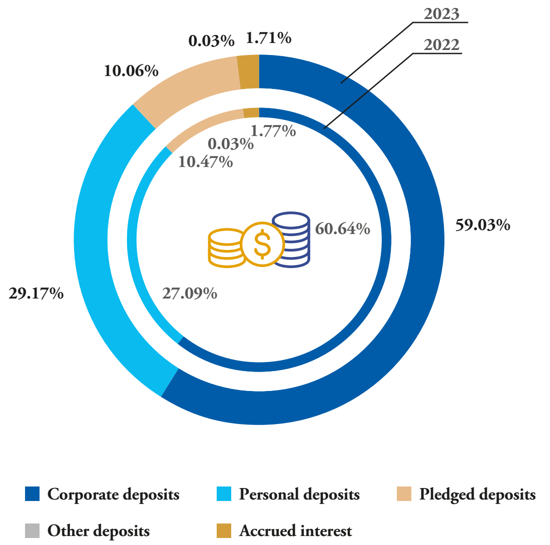
Unit: RMB million, %

Item	31 December 2023 Balance	31 December 2023 Percentage	31 December 2022 Balance	31 December 2022 Percentage
Corporate deposits	2,417,109	59.03	2,375,469	60.64
Demand deposits	965,167	23.57	823,302	21.02
Time deposits	1,451,942	35.46	1,552,167	39.62
Personal deposits	1,194,615	29.17	1,061,369	27.09
Demand deposits	249,402	6.09	254,332	6.49
Time deposits	945,213	23.08	807,037	20.60
Pledged deposits	412,129	10.06	409,978	10.47
Corporate	405,955	9.91	404,888	10.34
Personal	6,174	0.15	5,090	0.13
Other deposits	1,019	0.03	1,078	0.03
Accrued interest	69,656	1.71	69,274	1.77
Total deposits from customers	**4,094,528**	**100.00**	**3,917,168**	**100.00**

Composition of the Group's deposits as at the end of the reporting period

Unit: RMB million





iii. Equity of shareholders

As at the end of the reporting period, the Group's equity attributable to shareholders of the Bank amounted to RMB554,785 million, representing a net increase of RMB44,772 million as compared with the end of the previous year. Such increase was mainly due to the increase in profit realized in the current period and capital reserve supplemented through conversion of convertible bonds.

Unit: RMB million

Item	31 December 2023	31 December 2022
Share capital	59,086	54,032
Other equity instruments	104,899	109,062
Capital reserve	74,473	58,434
Other comprehensive income	2,245	(590)
Surplus reserve	26,245	26,245
General risk reserve	86,161	81,401
Retained earnings	199,282	179,299
Total equity attributable to shareholders of the Bank	552,391	507,883
Equity of minority shareholders	2,394	2,130
Total equity	**554,785**	**510,013**

iv. Off-balance-sheet items

The Group's off-balance-sheet items are mainly credit commitments, including loan and credit card commitments, bank's acceptance bills, letters of guarantee, letters of credit and guarantees. As at the end of the reporting period, the total amount of credit commitments was RMB1,338,181 million, a decrease of RMB41,243 million as compared with the end of the previous year.

Unit: RMB million

Item	31 December 2023	31 December 2022
Loan and credit card commitments	379,310	367,128
Bank's acceptance bills	669,058	724,330
Letters of guarantee	128,239	116,297
Letters of credit	161,394	171,484
Guarantees	180	185
Total credit commitments	**1,338,181**	**1,379,424**

IV. CASH FLOWS

The Group's net cash outflows from operating activities amounted to RMB3,614 million, of which cash outflows arising from changes in operating assets stood at RMB261,807 million, and cash inflows arising from changes in operating liabilities totaled RMB193,606 million.

The Group's net cash outflows from investing activities amounted to RMB205,825 million, of which cash inflows arising from disposal and redemption of investments stood at RMB1,059,289 million and cash outflows arising from investment payments registered RMB1,322,568 million.

The Group's net cash inflows from financing activities were RMB196,019 million, of which net proceeds from bond issuance posted RMB1,259,529 million and cash inflows generated from principal repayment of debt securities registered RMB1,020,256 million.

X. LOAN QUALITY

i. Industry concentration of loans

Unit: RMB million, %

Industry	31 December 2023 Balance	31 December 2023 Percentage	31 December 2022 Balance	31 December 2022 Percentage
Manufacturing	444,913	20.55	379,002	19.62
Water, environment and public utility management	337,316	15.57	320,176	16.58
Leasing and commercial services	335,235	15.48	268,954	13.92
Wholesale and retail trade	177,439	8.19	160,716	8.32
Real estate	165,745	7.65	178,649	9.25
Construction	165,227	7.63	151,748	7.86
Transportation, storage and postal service	136,270	6.29	110,579	5.73
Finance	105,414	4.87	85,008	4.40
Production and supply of power, gas and water	84,276	3.89	72,531	3.76
Agriculture, forestry, animal husbandry and fishery	59,157	2.73	65,622	3.40
Others[Note]	154,848	7.15	138,465	7.16
Subtotal of corporate loans	**2,165,840**	**100.00**	**1,931,450**	**100.00**
Personal loans	**1,512,616**		**1,519,119**	
Discounted bills	**108,498**		**121,707**	
Total loans and advances to customers	**3,786,954**		**3,572,276**	

Note: "Others" includes mining; accommodation and catering; public administration and social organization; information transmission, computer services, and software; health, social security and social welfare; resident services and other services; scientific research, technical services and geological prospecting; culture, sports and recreation; and education.

ii. Distribution of loans by region

Unit: RMB million, %

Region	31 December 2023 Balance	31 December 2023 Percentage	31 December 2022 Balance	31 December 2022 Percentage
Yangtze River Delta	903,353	23.86	841,441	23.56
Central China	650,965	17.19	610,286	17.08
Pearl River Delta	574,249	15.16	511,900	14.33
Western China	475,934	12.57	446,599	12.50
Bohai Rim	516,609	13.64	465,674	13.04
Northeastern China	105,734	2.79	106,440	2.98
Head Office	434,359	11.47	473,669	13.26
Overseas	125,751	3.32	116,267	3.25
Total loans and advances to customers	**3,786,954**	**100.00**	**3,572,276**	**100.00**

iii. Types and proportions of loans by collateral

Unit: RMB million, %

Type	31 December 2023 Balance	31 December 2023 Percentage	31 December 2022 Balance	31 December 2022 Percentage
Unsecured loans	1,313,169	34.68	1,192,422	33.38
Guaranteed loans	937,383	24.75	845,036	23.66
Mortgage loans	1,210,545	31.97	1,188,728	33.28
Pledged loans	325,857	8.60	346,090	9.68
Total loans and advances to customers	**3,786,954**	**100.00**	**3,572,276**	**100.00**

iv. Top ten loan customers

Unit: RMB million, %

Name	Industry	Balance of loans as at 31 December 2023	Proportion in total loans and advances	Proportion in net capital[1]
Borrower 1	Leasing and commercial services	14,647	0.38	2.24
Borrower 2	Leasing and commercial services	8,700	0.23	1.33
Borrower 3	Transportation, storage and postal services	7,788	0.21	1.20
Borrower 4	Real estate	7,395	0.20	1.14
Borrower 5	Transportation, storage and postal services	6,177	0.16	0.95
Borrower 6	Construction	5,577	0.15	0.86
Borrower 7[2]	Leasing and commercial services	5,000	0.13	0.77
Borrower 8[2]	Leasing and commercial services	4,999	0.13	0.77
Borrower 9	Manufacturing	4,189	0.11	0.64
Borrower 10	Manufacturing	3,999	0.11	0.61
Total		**68,471**	**1.81**	**10.51**

Notes:

1. The proportion of the balance of loans in net capital is calculated according to the requirements of the former CBIRC.

2. Borrowers 7 and 8 are related parties of the Bank and therefore their transactions with the Bank constitute related party transactions.

v. Five-category loan classification

Unit: RMB million, %

Type	31 December 2023 Balance	31 December 2023 Percentage	31 December 2022 Balance	31 December 2022 Percentage
Pass	3,669,687	96.91	3,461,714	96.91
Special mention	69,791	1.84	65,888	1.84
Substandard	23,335	0.62	25,037	0.70
Doubtful	15,258	0.40	13,427	0.38
Loss	8,883	0.23	6,210	0.17
Total loans and advances to customers	**3,786,954**	**100.00**	**3,572,276**	**100.00**
Performing loans	3,739,478	98.75	3,527,602	98.75
Non-performing loans	47,476	1.25	44,674	1.25

Note: Performing loans comprise of pass loans and special mention loans, and non-performing loans comprise of substandard loans, doubtful loans and loss loans.

Management Discussion and Analysis

vi. Loan migration ratio

Unit: %

Item	31 December 2023	31 December 2022	Change from the end of 2022 to the end of 2023	31 December 2021
Migration ratio of pass loans	2.49	2.05	+0.44 percentage point	2.22
Migration ratio of special mention loans	26.41	27.78	-1.37 percentage points	49.40
Migration ratio of substandard loans	72.10	80.68	-8.58 percentage points	76.00
Migration ratio of doubtful loans	58.51	51.43	+7.08 percentage points	74.64

vii. Restructured loans and overdue loans

1. Restructured loans

Unit: RMB million, %

Type	31 December 2023		31 December 2022	
	Balance	Proportion of loans and advances in total principal	Balance	Proportion of loans and advances in total principal
Rescheduled loans and advances to customers	6,551	0.17	4,404	0.12
Restructured loans and advances to customers overdue for more than 90 days	1,267	0.03	19	0.00

2. Overdue loans

Unit: RMB million, %

Type	31 December 2023		31 December 2022	
	Balance	Percentage	Balance	Percentage
Overdue within 3 months	31,861	43.23	32,182	46.04
Overdue from 3 months up to 1 year	26,245	35.60	24,223	34.65
Overdue from 1 year up to 3 years	12,044	16.34	11,519	16.48
Overdue for more than 3 years	3,564	4.83	1,979	2.83
Total principal of overdue loans	**73,714**	**100.00**	**69,903**	**100.00**

viii. NPLs by business type

Unit: RMB million, %

Type	31 December 2023		31 December 2022	
	Balance	Percentage	Balance	Percentage
Corporate loans	26,849	56.55	28,099	62.90
Personal loans	20,627	43.45	16,575	37.10
Discounted bills	–	–	–	–
Total NPLs	**47,476**	**100.00**	**44,674**	**100.00**

ix. Distribution of NPLs by region

Unit: RMB million, %

Region	31 December 2023 Balance	31 December 2023 Percentage	31 December 2022 Balance	31 December 2022 Percentage
Pearl River Delta	8,431	17.76	9,326	20.88
Yangtze River Delta	6,062	12.76	4,724	10.57
Central China	6,001	12.64	6,099	13.65
Bohai Rim	4,921	10.37	4,428	9.91
Northeastern China	4,206	8.86	5,078	11.37
Western China	3,818	8.04	4,186	9.37
Head Office	9,923	20.90	7,483	16.75
Overseas	4,114	8.67	3,350	7.50
Total NPLs	**47,476**	**100.00**	**44,674**	**100.00**

x. Distribution of NPLs by industry

Unit: RMB million, %

Industry	31 December 2023 Balance	31 December 2023 Percentage	31 December 2022 Balance	31 December 2022 Percentage
Real estate	8,833	18.60	6,952	15.56
Manufacturing	4,696	9.88	8,578	19.20
Wholesale and retail trade	3,998	8.41	4,216	9.44
Leasing and commercial services	1,840	3.88	1,858	4.16
Mining	1,655	3.49	603	1.35
Construction	1,309	2.76	1,053	2.36
Transportation, storage and postal services	1,062	2.24	1,582	3.54
Accommodation and catering	590	1.24	147	0.33
Production and supply of power, gas and water	403	0.85	573	1.28
Information transmission, computer services and software	179	0.38	362	0.81
Others[Note]	2,284	4.82	2,175	4.87
Subtotal of corporate loans	**26,849**	**56.55**	**28,099**	**62.90**
Personal loans	**20,627**	**43.45**	**16,575**	**37.10**
Discounts	–	–	–	–
Total NPLs	**47,476**	**100.00**	**44,674**	**100.00**

Note: "Others" includes health, social security and social welfare; scientific research, technical services, and geological exploration; finance; public management and social organization; water, environment and public utility management; agriculture, forestry, animal husbandry and fishery; and education.

xi. Distribution of NPLs by collateral type

Unit: RMB million, %

Type	31 December 2023 Balance	31 December 2023 Percentage	31 December 2022 Balance	31 December 2022 Percentage
Unsecured loans	15,970	33.63	12,625	28.26
Guaranteed loans	7,836	16.51	9,241	20.69
Mortgage loans	20,452	43.08	19,978	44.72
Pledged loans	3,218	6.78	2,830	6.33
Total NPLs	**47,476**	**100.00**	**44,674**	**100.00**

xii. Repossessed assets and provision for impairment

Unit: RMB million, %

Item	31 December 2023	31 December 2022
Repossessed assets	314	440
Land, buildings and structures	314	440
Provision for impairment	(167)	(202)
Net value of repossessed assets	147	238

xiii. Provision for loan impairment losses and write-off

After determining the credit risk of financial instruments on the balance sheet date, the Group made provision for the estimated credit loss for loans of varied risk levels according to their potential risk based on the expected credit loss model and such quantitative risk parameters as PD (probability of default) and LGD (loss given default) of customers. The provision for impairment losses was recognized through current profit or loss.

Unit: RMB million

Item	As at 31 December 2023	As at 31 December 2022
Balance at the beginning of the year[1]	83,180	76,889
Charge for the year[2]	45,241	47,366
Recovery of loans and advances written-off	9,437	7,505
Unwinding of discount[3]	(961)	(758)
Write-off and disposal for the year	(51,573)	(47,828)
Others	47	6
Balance at the end of the year[1]	**85,371**	**83,180**

Notes:

1. It excludes provision for impairment of discounted bills and forfaiting under domestic L/C at fair value through other comprehensive income.

2. It includes provision for impairment of loans made due to the change of stage and change in cash flow resulting in loan contract being not derecognized.

3. It refers to cumulative interest income of impaired loans due to the subsequent increase in present value over time.

xiv. Disposal of non-performing assets and write-off policies for bad debts

The Bank continued to optimize the operation and management mechanism for special assets and made continuous efforts in investment banking-oriented, specialized and platform-based construction, and facilitated transformation of special assets management to enhance the capability of creating value from special assets. Focusing on key areas, branches and projects, the Bank proactively and prudently disposed and resolved risks in real estate, LGFV (local government financing vehicles), credit cards and other fields. The Bank innovated disposal methods, expanded disposal channels, and built an ecosystem for special assets management to improve cash recovery. The Bank strengthened technological empowerment, fully digitalized business processes, and promoted digital transformation. In addition, the Bank implemented regulatory policies to strengthen writing-off management, insisted on keeping records of written-off assets and exercising creditor's rights for asset recovery, and reinforced recovery management of written-off assets.

During the reporting period, the Bank disposed of NPLs amounting to RMB53,714 million, an increase of RMB4,678 million over the previous year, including writing off bad debts of RMB33,128 million, transferring creditor's rights amounting to RMB7,448 million, conversion of bonds to shares valuing RMB415 million, and asset securitization of RMB12,723 million. In addition, the Bank recovered cash of RMB30,356 million through asset preservation.

XI. CAR ANALYSIS

Please refer to "Summary of Accounting Data and Financial Indicators" and *Capital Adequacy Ratio Report 2023* publicly disclosed by the Bank for details.

XII. SEGMENT PERFORMANCE

i. Performance by regional segment

Unit: RMB million

Region	2023 Operating income	2023 Profit before tax	2022 Operating income	2022 Profit before tax
Yangtze River Delta	25,697	17,139	28,355	14,987
Bohai Rim	25,622	10,149	27,202	12,488
Central China	24,748	7,887	26,434	11,693
Pearl River Delta	20,304	1,378	21,625	4,644
Western China	17,997	5,178	18,587	7,811
Northeastern China	5,634	178	5,889	(1,279)
Head Office	22,797	7,128	20,771	5,161
Overseas	2,936	720	3,002	461
Total	**145,735**	**49,757**	**151,865**	**55,966**

ii. Performance by business segment

Unit: RMB million

Type	2023 Operating income	2023 Profit before tax	2022 Operating income	2022 Profit before tax
Corporate banking	53,948	23,999	57,619	25,844
Retail banking	64,956	6,741	65,998	6,358
Financial market business	27,872	20,133	28,051	23,776
Others	(1,041)	(1,116)	197	(12)
Total	**145,735**	**49,757**	**151,865**	**55,966**

Please refer to "Notes to the Consolidated Financial Statements" for details of performance by business segment.

XIII. OTHERS

i. Changes in major financial indicators and reasons

Unit: RMB million, %

Item	31 December 2023	31 December 2022	Increase/ Decrease	Main reasons for change
Financial assets held under resale agreements	67,500	28	240,971.43	Increase in the scale of financial assets held under resale agreements
Due to central bank	99,633	63,386	57.18	Increase in the scale of due to central bank
Taxes payable	7,304	11,141	(34.44)	Decrease in enterprise income tax payable
Other comprehensive income	2,245	(590)	N/A	Increase in valuation of assets measured at fair value through equity
Item	**2023**	**2022**	**Increase/ Decrease**	**Main reasons for change**
Net trading gains	3,233	2,470	30.89	Increase in net trading gains
Net gains arising from investment securities	8,926	6,416	39.12	Increase in net gains arising from investment securities
Net (losses)/gains from derecognition of financial assets measured at amortized cost	(555)	858	N/A	Increase in losses from derecognition of financial assets measured at amortized cost
Net foreign exchange gains	1,125	484	132.44	Increase in exchange gains
Other net operating gains	1,784	1,189	50.04	Increase in other net operating gains

ii. Overdue and outstanding debts

During the reporting period, the Bank did not incur any overdue or outstanding debts.

iii. Interest receivable and provision of allowance for related bad debts

1. Change in on-balance-sheet interest receivable

Unit: RMB million

Item	Balance at the beginning of the year	Increase during the year	Decrease during the year	Balance at the end of the year
On-balance-sheet interest receivable[Note]	42,880	233,712	229,247	47,345

Note: It includes accrued interest and interest receivable that has not been collected.

2. Provision of allowance for bad debts of interest receivable

Unit: RMB million

Item	31 December 2023	31 December 2022	Increase/decrease
Balance of allowance for bad debts of interest receivable	3	101	(98)

iv. Other receivables and provision of allowance for related bad debts

1. Change in other receivables

Unit: RMB million

Item	31 December 2023	31 December 2022	Increase/decrease
Other receivables	8,955	18,045	(9,090)

2. Provision of allowance for bad debts of other receivables

Unit: RMB million

Item	31 December 2023	31 December 2022	Increase/decrease
Balance of allowance for bad debts of other receivables	908	816	92

XIV. PERFORMANCE OF BUSINESS SEGMENTS

i. Corporate banking

Operating income

RMB 53,948 million

FPA

RMB 5.09 trillion

↑5.06%

Corporate banking customers

980,300

↑1.70%

The corporate banking line of the Bank gave full play to its strengths, concentrated on serving five target areas (technology finance, green finance, inclusive finance, pension finance and digital finance) with a special focus on three new development tracks (technology finance, green finance and advanced manufacturing), innovated products and services, launched a series of campaigns such as “Deepening Cooperation with Industrial Clusters”, “Growth Plan for Thousands of Micro and Small Businesses” and “Into Shenzhen Stock Exchange”, and continuously increased efforts to serve key fields of the real economy. The Bank gave full play to the guiding role of FPA (Finance Product Aggregate), a North Star Metric, made all-out efforts to accelerate the transformation towards a combination of commercial banking, investment banking and private banking, and continued to increase the total aggregate of corporate financing. Following the customer management philosophy of “value stratification, demand grouping, service tiering and ecosphere integration”, the Bank built a new stratified, tiered and grouped customer management model with serving strategic customers, potential customers and basic customers at the core. The Bank continuously pressed ahead with digital transformation, strengthened efforts in scenario clustering and ecosphere building, and gradually constructed its “financial + non-financial” one-stop digital comprehensive service system. During the reporting period, the Bank’s corporate banking registered an operating income of RMB53,948 million, a year-on-year decrease of RMB3,671 million or 6.37%, accounting for 37.01% of the Bank’s total operating income. As at the end of the reporting period, the Bank’s total FPA was RMB5.09 trillion, an increase of RMB244,816 million or 5.06% over the end of the previous year. The Bank had 980,300 corporate banking customers, an increase of 16,400 or 1.70% over the end of the previous year.

Column 1: Rolling out an array of measures to improve the quality and efficiency in serving the real economy

As a financial enterprise directly under the central government, the Bank adhered to the mission of serving the real economy, gave full play to its strengths, and made every effort to do well in serving the real economy.

I. Strengthening top-level design to increase credit granting

The Bank formulated and implemented the *2023 Work Plan for Serving the Real Economy*, and specified work measures with a focus on key fields such as manufacturing, green finance, technological innovation and regional strategies. Meanwhile, the Bank carried out the spirit of various national policies, and put forward guidelines on supporting sci-tech innovation enterprises, serving special-purpose bonds for local governments, ensuring stability in foreign trade and foreign investment to support opening-up, supporting the development of private enterprises and serving the comprehensive advancement of rural revitalization. The Bank increased credit granting and realized a steady increase in the aggregate of corporate banking credit, with the growth rates of loans in key fields and weak links significantly higher than those of normal loans. As at the end of the reporting period, the Bank’s corporate loans (excluding discount loans) increased by 12.14% over the end of the previous year, higher than the average growth rate of the Bank’s loans. The growth rates of manufacturing loans, loans in strategic emerging industries, green loans, loans for technology-driven enterprises and loans for inclusive MSEs reached 24.74%, 46.71%, 57.44%, 50.64% and 24.18%, respectively.

II. Optimizing work mechanisms to improve service efficiency

The Bank established a leading group for serving the real economy and national regional strategies at the Head Office level, set up specialized divisions for equipment manufacturing, green finance and technological innovation in H.O. departments, and established technology-specific sub-branches in key regions such as the Yangtze River Delta. The Bank enhanced evaluation incentives, gave preferential pricing, and provided other special policies in key fields and weak links, such as manufacturing industry, strategic emerging industries, green finance, technological innovation, inclusive finance and rural revitalization. The Bank established a “corporate banking + risk management” collaborative framework, and improved the “credit granting whitelist + traffic-signal positive feedback” mechanism to accelerate marketing efficiency. The Bank continuously promoted the “relay-style” tripartite consultation mechanism to make project reserve management more forward-looking and effective. The Bank promoted incentive mechanisms such as “Red Star Plan”, “Quality Market Entities” and “One Discussion for One Case” to reduce the financing costs of enterprises. Additionally, the Bank opened up green channels for approval to actively serve SRDI (Sophisticated, Refined, Distinctive and Innovative) enterprises, leading enterprises in single manufacturing sector, high-tech enterprises and other key enterprises, and increased credit granting in key fields.

III. Innovating service models to enrich financial products

The Bank proactively supported key national industrial clusters, and launched the campaign titled “Serving New-type Industrialization and Deepening Cooperation with Industrial Clusters” focusing on national advanced manufacturing industry and strategic emerging industry clusters. The Bank continuously promoted the bank-enterprise matchmaking event titled “Serving SRDI Enterprises with Joint Efforts of Banks, Communities and Enterprises” with national or provincial SDRI enterprises, leading enterprises in single manufacturing sector, and strategic emerging enterprises. The Bank organized the campaign titled “Entering Industrial Parks”, and rolled out the “Comprehensive Financial Service Package for Industrial Parks”. According to the development path of sci-tech innovation enterprises, the Bank built comprehensive service solutions integrating commercial banking, investment banking and private banking based on enterprises’ different development stages including the start-up stage, growth stage and maturity stage. The Bank built a six-product matrix, which includes basic financing, wealth management, investment banking, transaction banking, inclusive finance and ecosphere-based finance, and launched a series of innovative products such as SRDI Giant Loan, SRDI Enterprise Loan, Frictionless Bill Discount, Fixed Assets Purchase Loan, U Valley E-loan and Sustainability-linked Loan. The Bank released the “Yi” (Easy) series 2.0 of transaction banking products, and provided “all-scenario, full-category and omni-channel” financial solutions. The Bank released the cross-border financial product manual and the cross-border financial service solutions, and launched over 70 products in five major categories including Forex Easy, Cross-border Easy, Trade Financing Easy, Supply Chain Easy and Corporate Treasury Easy.

IV. Integrating into the country’s overall development to support major regional strategies

The Bank clearly incorporated the concept of promoting regional coordinated development into its strategic development plan, and guided financial resources to flow into strategic areas in major regions. The Bank established six strategic working groups to facilitate the implementation of key regional strategies and ensure effectiveness. The Bank persistently enriched credit products, introduced more preferential policies, and organized related branches in the regions to support key industries and major projects. As at the end of the reporting period, the balance of the Bank’s corporate RMB loans (including discount loans) in the six strategic regions (the Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Economic Belt, the Yellow River Basin Ecological Protection Area and the Hainan Free Trade Zone) stood at RMB1.87 trillion, an increase of RMB180,000 million over the end of the previous year.

1. Corporate deposits and loans

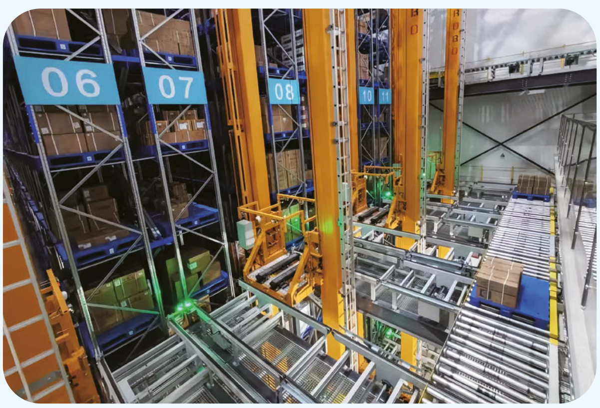
The Bank adhered to the philosophy of high-quality development, continuously provided more credit support for major strategies, key fields and weak links, and strove to realize both reasonable quantitative growth and effective qualitative improvement. The Bank promoted four new major drivers to increase deposits including institutional expansion, entrusted payment, chain-based customer expansion and cash management with a focus on wealth management transformation, and expanded cash management products such as Cloud Treasury, Interbank Pass and Tendering Pass with a focus on payment, agency payment and other scenario-based services. The Bank accelerated digitalization by promoting convenient online business processing to empower customer marketing, product innovation and business expansion. The Bank safeguarded the risk bottom line, operated in accordance with laws and regulations, and maintained stable asset quality. As at the end of the reporting period, corporate deposits (including the corporate business-related portion in pledged deposits) amounted to RMB2,823,064 million, representing an increase of RMB42,707 million or 1.54% over the end of the previous year. Among these, the balance of core corporate deposits increased by RMB87,602 million or 3.62%, and the balance of corporate loans (excluding discount loans) was RMB2,165,840 million, an increase of RMB234,390 million or 12.14% over the end of the previous year.

Case 2: SRDI Giant Loan

The Bank launched SRDI Giant Loan for SRDI (Sophisticated, Refined, Distinctive and Innovative) enterprise customers, and upgraded it to version 2.0 featuring online access, expert review, bigger credit and longer maturity. This product, which adopts an exclusive rating model for SRDI enterprises and an optimized credit granting template, lays emphasis on enterprises' innovation capabilities, growth potential and specialities. The business approval procedure can be completed within three working days at the soonest.

One corporate customer of the Bank in Jiangsu Province, listed on the Shanghai Stock Exchange in 2016 as a leading domestic supplier of special wireropes with 65 years of manufacturing experience, was selected as a national-level SRDI "Small Giant" enterprise, and had entered into a period of rapid development in recent years. CEB Wuxi Branch took the initiative to contact the enterprise for an in-depth project investigation and developing customized service solutions. CEB Wuxi Branch offered the customer SRDI Giant Loan, rapidly approved RMB120 million of loans and realized RMB37.2 million of loan granting, reducing financing costs for the customer by utilizing its interest rate preferential policy.

As at the end of the reporting period, the Bank granted over RMB60 billion of SRDI Giant Loan.



2. Inclusive finance

The Bank fulfilled its social responsibilities of serving micro and small enterprises (MSEs) and people's well-being, and better served MSEs by promoting long-effect mechanisms to boost branches' confidence, willingness, capability and expertise in lending loans to MSE businesses. Focusing on core enterprises, the Bank facilitated the optimization and upgrading of industrial chains and supply chains. Focusing on serving sci-tech innovation enterprises and growth MSEs, the Bank released the *Exclusive Financial Solutions for Growth MSEs* to provide them with whole-process, cross-market and full-life-cycle "financial + non-financial" comprehensive financial services. The Bank successively held two "Into Shenzhen Stock Exchange" events for SRDI enterprises and enterprises intending to initiate publicly-offered REITs respectively to participate in roadshows, so as to help high-quality MSEs enter capital market. The Bank continuously expanded its financial service ecosystem, and held "Entering the SRDI Enterprises" events in Wuhan and many other cities to interact with hundreds of enterprises. The Bank actively carried out the policy of postponing principal and interest repayments on loans for MSEs, allowing MSEs to apply for repayment extension through various channels, and supported their requests for renewal or extension of maturity based on market principles. As at the end of the reporting period, the Bank fulfilled the regulatory objectives for "Two Increases and Two Controls". The balance of inclusive loans for MSEs amounted to RMB379,133 million, an increase of RMB73,816 million or 24.18% over the end of the previous year, which was higher than the average loan growth rate across the whole Bank. There were 429,700 inclusive customers, registering a steady increase over the previous year. The weighted average interest rate of newly-granted loans was 3.97% with a year-on-year decrease of 47 bps, and the NPL ratio was 0.85%.

3. Investment banking

The Bank proactively implemented the business philosophy of "integration of commercial banking, investment banking and private banking", continuously optimized the investment banking product spectrum, and improved its capabilities to meet the diversified financing needs of customers and serve market entities through multi-dimensional driving forces including bond financing, M&A financing, structured financing, equity financing and business matchmaking. During the reporting period, the Bank underwrote 818 debt financing instruments of non-financial enterprises in the interbank bond market, with an underwriting amount of RMB481,418 million, including different innovative debt financing instruments such as sci-tech innovation notes, green debt financing instruments, rural revitalization notes, Panda bonds and energy supply special bonds, covering various key national strategic areas including green development, advanced manufacturing, technological innovation and rural revitalization. The Bank strengthened its capabilities in integrating M&A financing resources, supported the M&A of the real economy and industrial upgrading projects, and conducted project marketing especially for listed companies and other key customer groups under key transaction scenarios. The Bank's domestic and overseas newly-added M&A loans reached RMB27,383 million. The Bank issued five credit asset securitization projects with an asset scale of RMB12,724 million.

Case 3: Innovating debt financing instruments to develop green finance

In June 2023, the Bank successfully underwrote the first-phase medium-term green asset-backed notes (sci-tech innovation notes) in 2023 for a wind power limited company, with an issuance volume of RMB1 billion and a three-year maturity. This project was the first green sci-tech innovation notes underwritten by the Bank, and all of the funds raised were used for the customer's offshore wind power generation project. This phase of green sci-tech innovation notes not only helped the enterprise achieve carbon emission reduction, but also injected financial vitality into the green and innovative development of the enterprise.

In September 2023, the Bank successfully issued the first-phase green asset-backed commercial paper (ABCP) (carbon neutrality bonds) in 2023 for a transportation holdings group, with an issuance volume of RMB300 million and a one-year senior notes' tenor. The underlying asset of this project is the future right to the earnings from 203 bus routes owned by the customer, and the assets in the asset pool were all clean energy vehicles. This project was the first right-to-earnings ABCP in the market, and the first carbon neutrality ABCP of the Bank, making breakthroughs in terms of the underlying asset of ABCP from existing debt assets to future right-to-earnings assets.

The Bank assisted 14 market entities in issuing 21 green bonds throughout the year, with a cumulative underwriting volume of RMB8,128 million.

4. Transaction banking

The Bank kept enriching the transaction banking product spectrum, launched the "Yi" (Easy) series 2.0 of transaction banking products, and provided financial solutions with "all-scenario, full-category and omni-channel" features to meet the comprehensive financial needs of customers. The Bank accelerated digital transformation, successfully put into operation the phase I of the New Trade Finance System (NTFS), and constantly enhanced online, mobile and automatic service capabilities of transaction banking products. The Bank continuously upgraded Sunshine Supply Chain Cloud Platform and Treasury Management Platform to provide customers with open-ended transaction banking services integrating settlement and financing products. The Bank constantly expanded scenario-based application of transaction banking products, and promoted the rapid development of scenarios of Auto Full Pass, Cash Management Payment Settlement Pass, Electronic L/G, Sunshine Electricity Bill Pass and other new business formats in cross-border trade. The Bank's "Sunshine Wages" financial services constantly gave full play to its value in benefiting both enterprises and the people to help safeguard the legitimate rights and interests of rural migrant workers. As at the end of the reporting period, the Bank provided wage payment guarantee with its L/G products for rural migrant workers with a cumulative amount of RMB11,631 million, up RMB2,594 million over the year. The Bank served 1,479 corporate customers, an increase of 37 customers over the year. The Bank facilitated import and export enterprises in cross-border payment and settlement, and advanced the development of international settlement and cross-border RMB businesses. As at the end of the reporting period, the balance of the on- and off-balance-sheet trade financing registered RMB453,952 million.

Case 4: Sunshine E-financing Chain serving core enterprises in stabilizing and consolidating supply chains

Sunshine E-financing Chain is an online whole-process factoring product designed for upstream or downstream transactions in supply chains through digital means such as online banking, bank-enterprise direct connection and third-party supply chain finance platforms, based on the transaction background information and the debt transfer information of both parties directly or indirectly obtained by the Bank.

One strategic customer of the Bank is an automobile manufacturing enterprise, which has its own automobile brand as a leading domestic enterprise in the industry. The enterprise has developed upstream and downstream businesses and formed industrial chains covering automobiles, automobile parts and supply chain finance around the main value chain of automobiles, and independently built an industrial supply chain finance platform centering on the automotive industry chain. After the Bank linked the enterprise's supply chain finance platform with Sunshine E-financing Chain, the core enterprise issued electronic debt vouchers and undertook unconditional payment responsibilities based on real trade background. The Bank provided non-recourse 1+N factoring service for suppliers holding the vouchers. In 2023, the Bank granted nearly RMB600 million of loans cumulatively.

As at the end of the reporting period, the Bank registered a total volume of RMB12,960 million for Sunshine E-financing Chain, and served 2,012 customers, including 225 core enterprises and 1,787 suppliers.

ii. Retail banking

Operating income

RMB 64,956 million

AUM

RMB 2.73 trillion

↑12.42%

Retail customers

152,237,300

↑3.52%

Focusing on building digital retail banking and adhering to the customer-centered business philosophy, the Bank formulated a "dual-curve" development model for retail banking. The Bank deeply engaged in the "first curve" by giving play to the advantages of business outlets and professional customer managers to boost offline operation capacity. The Bank expanded the "second curve" to establish a more intensive, scenario-based and platform-based business model, and accelerated service transformation and upgrading. Meanwhile, the Bank strengthened digital-driven development and deepened the stratified and grouped operation of retail customers, with the total number of retail customers increased and customer base structure improved. The Bank accelerated structural adjustments on the liability side, leading to scale expansion, structure optimization and cost reduction in retail deposits. The Bank advanced business transformation on the asset side, strengthened intensive operation, supported the development of inclusive finance, and cultivated hit Sunshine-branded retail loans, leading to rapid scale growth and stable asset quality of retail loans. The Bank continued to deepen wealth management transformation, optimized product spectrum, enhanced asset allocation capabilities, and adapted to customers' diversified investment needs. During the reporting period, operating income stood at RMB64,956 million, a year-on-year decrease of RMB1,042 million or 1.58%, accounting for 44.57% of the total operating income of the Bank. Specifically, net interest income from retail banking was RMB48,762 million, a year-on-year increase of 2.67%, accounting for 45.37% of the total net interest income of the Bank. Net non-interest income from retail banking was RMB16,194 million, a year-on-year decrease of 12.47%, accounting for 42.33% of the total net non-interest income of the Bank.

1. Retail customers and AUM

The Bank gave full play to the role of retail customer management committee to ensure that relevant mechanisms and systems fully perform their duties, and adopted retail customer management strategies featuring "stratified and grouped management, data-driven operation, channel coordination and conversion from transaction to contribution". Relying on Customer Operation Center of the Head Office, the Bank optimized the quality and efficiency of collaborative operation between the Head Office and branches, and gradually realized intensive management for all basic customer groups. The Bank improved centralized management for medium- and high-end customer groups mainly via offline channels. The Bank consolidated the core competencies of the middle offices for retail banking, and established a digital customer management model covering all products, all channels and the entire chain with data elements as the driving force and platform tools as the means, so as to improve the comprehensive contributions of customers. As at the end of the reporting period, the Bank had 152,237,300 retail customers (including holders of debit and credit cards). Medium- and high-end customers with at least RMB500,000 of daily average assets per month grew by 8.86% from the end of the previous year. There were a total of 306,486,000 users for the three apps — CEB Mobile Banking, Sunshine Life and Cloud Fee Payment, up 19.89% year on year. Among these, the number of monthly active users (MAU) was 68,784,900, up 17.77% year on year, and the balance of AUM totaled RMB2,725,090 million, up 12.42% over the end of the previous year.

2. Retail deposits

Adhering to the philosophy of "improvement in both quality and scale", the Bank deepened integrated management for deposit businesses to realize scale expansion, structure optimization and cost reduction in retail deposits. In order to acquire customers in batches, the Bank actively expanded customer acquisition channels and scenarios such as social security & livelihood service, preferential treatment for the military and their families, pension finance, health and medical care, business district operation, community property management, transportation, culture & education, tourism and consumption payment. Furthermore, the Bank enhanced its capacity to bring in source-based funds, strengthened the coordination between corporate banking and retail banking to develop its payroll agency business, promoted the Enterprise Administrative Management Service Platform ("Xin Yue Tong"), continued to carry out exclusive activities such as "Premium Pay" and "Payday Afternoon Tea", and conducted characteristic customer group management in payroll agency services. In addition, the Bank stepped up channel coordination, actively expanding quick payment business by linking CEB cards to third parties, and increased transaction volume via online platforms, thus retaining settlement funds. The Bank strengthened "debit card + credit card" linkage, and created a powerful synergy of debit card and credit card businesses for customer acquisition and activation, which effectively improved customer loyalty and service experience. As at the end of the reporting period, the balance of retail deposits (including the retail portion in pledged deposits) of the Bank amounted to RMB1,200,789 million, representing an increase of RMB134,330 million or 12.60% over the end of the previous year.

3. Retail loans

The Bank proactively fulfilled its social responsibilities, vigorously developed retail inclusive finance, increased the credit supply to MSEs, and actively eased the difficulties of customers affected by natural disasters. The Bank facilitated rural revitalization and fostered various characteristic agriculture-related loan projects. The Bank met people's rigid demand for housing and improved demand for housing, and successfully adjusted the interest rate for the stock of first homes. The Bank enriched online consumption product supply, and provided convenient and diversified financing services for customers. The Bank served new citizens by completing customer labeling and developing exclusive credit products for all of them. The Bank deepened transformation and development, and continuously advanced the project construction featuring intensive management, product standardization, online process and integrated operation to enhance inherent development momentum. The Bank built a proprietary online lending (joint) operation team to deepen the integrated operation of business, risk and technology. The Bank strengthened risk and compliance management, continuously improved the comprehensive risk management system, and facilitated the construction of debt collection system, anti-fraud system and decision-making engine. The Bank implemented regulatory rectification for internet platform loans, further reduced the scale of bank-insurance credit enhancement loans and customer costs, and promoted the high-quality development of retail credit. As at the end of the reporting period, the balance of retail loans (excluding credit card business) posted RMB1,079,069 million, an increase of RMB23,679 million or 2.24% over the end of the previous year.

Case 5: Financial care for “new citizens”

The Bank focused on the financial service needs of “new citizens” (rural migrant workers), and put forward measures to strengthen services for the benefits and well-being of new citizens, so as to help them settle down in their “second hometown” and enhance their sense of gain, happiness and security.

The Bank, in collaboration with Meituan, initiated Meituan Business Loan, an MSE business support program for new citizens. Snack food businessmen in need of funds can access the activity page to apply for an unsecured business loan of up to RMB200,000 jointly provided by the Bank and Meituan by searching “New Citizens” on the homepage of the Meituan app. Currently, the number of snack food stores in China has exceeded 88,000, with an annual revenue exceeding RMB50 billion. These stores have helped approximately 300,000 local residents to have jobs.

The Bank launched exclusive mortgage loans for new citizens. A primary school teacher living in Chongqing for six years has a dream of having a home in this second hometown. After learning about the housing mortgage loan policies of various banks, with careful consideration, he decided to apply for a housing mortgage loan in CEB Chongqing branch. CEB Chongqing Branch provided him with convenient procedures in mortgage loan granting targeted at new citizens, with an amount totaling RMB300,000 and a 15-year term.

The Bank provided loan facility for small proprietors. A couple in Wuhan, who have run a restaurant in the local area for several years, planned to buy a house. Taking into account the fact that restaurants in the local area mainly use Alipay and WeChat Pay, CEB Wuhan Branch considered the comprehensive qualifications of the customers, analyzed their transaction records in Alipay and WeChat as a source of income, and efficiently handled the mortgage loan for them.

4. Wealth management

With AUM as a North Star Metric, the Bank accelerated the transformation of wealth management, actively coped with market volatility, and improved customer experience by optimizing strategies, products and services. Through "dual-curve" integrated development, the Bank improved the value of retail banking channels and injected new vitality into retail banking. Through cultivating tiered professional wealth manager teams and continuously promoting a new management mode featuring "integrated lobby marketing management" at outlets, the Bank improved the service efficiency of outlets. The Bank developed an open-ended online wealth management ecosystem, enhanced cooperation with external partners, expanded the scope of "financial + non-financial" services, and established a whole-journey and full-life-cycle customer companion system. Moreover, the Bank strengthened asset allocation capability, improved the investment-research-consultation system, and enriched the wealth management and agency product spectrum to adapt to customers' diversified investment needs. During the reporting period, net fee income from personal wealth management stood at RMB7,420 million, accounting for 31.31% of the net fee income of the Bank. Specifically, income from agency insurance business grew by 43.66% year on year.

5. Private banking

The Bank deepened the private banking customer group management model featuring "Data Insight" (Data) + "Scene Fission" (Scene) + "Whole Journey Companion" (Companion), which has strengthened the whole-journal operational capabilities for private banking customers, and continuously improved the four major operation systems including online operation, scenario-based operation, event-driven operation and equity-centered operation. The Bank iterated and upgraded special versions for private banking customers, with 67,200 active customers, up 70.56% over the end of the previous year. The Bank optimized the A-coin equity points platform, serving a total of 120,000 customers. Additionally, the Bank continuously built six key scenarios covering finance, culture, family, healthcare, sports and travel, and served over 200,000 high-net-worth customers. The Bank promoted the integration of commercial banking, investment banking and private banking for sci-tech innovation enterprises, serving 6,912 entrepreneurs with AUM amounting to nearly RMB100 billion. The Bank promoted supply-side reform for agency products. The inclusive, prudential and guarantee-oriented agency products for public placement, private placement and insurance accounted for 84.19% in the total. The number of funds and insurance customers on Cloud Fee Payment surpassed 420,000. Meanwhile, the number of newly-opened wealth wallet accounts exceeded 1.45 million, marking a growth of 43.56% over the end of the previous year. The Bank continuously enriched comprehensive pension products, including personal pension insurance, funds and commercial pension products, upgraded the exclusive zone for "Enjoy Sunshine Pension", and the exclusive zone for pension finance served 1.47 million customers online. The Bank iterated and optimized the construction of the open-ended mobile banking wealth platform, and the three major product channels (CEB Mobile Banking, Sunshine Life and Cloud Fee Payment) had 125,600 monthly active users, up 28.83% over the end of the previous year. As at the end of the reporting period, the Bank registered RMB2,444 million fee-based income from agency retail banking. The sales volume of agency business reached RMB166,056 million, up 34.92% year on year, and the agency AUM stood at RMB296,880 million, up 6.51% over the end of the previous year. The Bank strengthened the digital construction of investment, research and investment advisory, and launched the enterprise-level investment research, investment advisory and asset allocation platform to enhance capabilities of allocating broad-category assets and serving customers. As at the end of the reporting period, the Bank had 63,502 private banking customers, an increase of 6,976 customers or 12.34% over the end of the previous year. The AUM of private banking customers amounted to RMB637,808 million, representing an increase of RMB69,623 million or 12.25% over the end of the previous year.

Case 6: Building an integrated comprehensive service system of "commercial banking + investment banking + private banking"

The Bank focused on three key enterprise customer groups including national SRDI "Small Giant" enterprises, provincial SRDI SMEs and inclusive MSEs, strengthened product innovation, and built exclusive products centering on entrepreneurs' comprehensive needs at the individual, family, enterprise and society levels, especially the integrated needs of investment and financing which link entrepreneurs with the business operation of their enterprises. Relying on the "Jixianhui" entrepreneur activity platform, the Bank built a comprehensive service system to provide entrepreneurs with value-added services such as social networking activities, circle resources linkage and growth empowerment.

CEB Beijing Branch provided family trust scheme for a technology MSE owner. First, allocate family trust real estate funds for their children to purchase property to ensure this property to be considered as personal property within marriage of their children. Second, segregate the parents' operation risks of the enterprise according to relevant stipulations of the *Trust Law*. Third, allocate private equity sunshine funds, cash wealth management products and large-sum incremental life insurance to help the customer make stable investments while maintaining certain liquidity. Finally, set up a family trust of RMB59 million for the customer, leading the customer to purchase corporate wealth management products of RMB10 million and apply for corporate credit. The Bank provided the enterprise owner with one-stop comprehensive solutions to meet the needs of personal investment, family security, enterprise risk isolation and wealth inheritance.

Utilizing the Bank's advantages in having customized private banking products as well as the "Jixianhui" activity platform, CEB Suzhou Branch provided multi-dimensional comprehensive financial services for one listed private enterprise in Suzhou and its executives. Eventually, the enterprise became a corporate customer of the Bank, and had a credit line of several billion RMB, and the enterprise's executives became private banking customers of the Bank, with the peak value of AUM reaching RMB300 million. The Bank generated wealth management income of over RMB3 million for the customer throughout the year.

As at the end of the reporting period, the Bank provided services through the integration of commercial banking, investment banking and retail banking for nearly 7,000 private banking customers, and managed assets of nearly RMB100 billion.

6. Credit card business

The Bank was committed to stabilizing the quality of new customers, comprehensively promoting synchro-marketing for both debit cards and credit cards, exploring the Bank's customer group resources, and increasing the success rate of marketing. The Bank deepened customer life-cycle management by strengthening the integration of customer acquisition and card binding at the introduction stage, focusing on accurate marketing at the growth stage, and optimizing the processes for dormant card activation, expired card renewal, account cancellation and customer retention at the retention stage. The Bank refined the operation of installment products, strengthened the conversion from transactions to installments, and optimized combination of preferential policies in customer group, maturity and interest rate for installment customers, so as to facilitate channel construction and increase the proportion of interest-bearing assets. The Bank further strengthened risk control. During the pre-loan process, the Bank strictly controlled risks from new customers, and implemented precise and prudent credit approval strategies. During the loan granting process, the Bank strengthened active management, and implemented risk exposure reduction strategies for high-risk customers. During the post-loan process, the Bank increased debt collection and disposal efficiency, advanced the integrated operation of debt collection, litigation response and dispute mediation, and expanded diversified disposal channels for non-performing assets such as asset securitization and batch transfer. The Bank further deepened digital transformation, advanced upgrading and reconstruction for over 40 systems, including customer intelligent operation, comprehensive business expansion, installment management, outbound marketing and consumer complaint handling, and released the 8.0 version of Sunshine Life app. As at the end of the reporting period, there were 15,461,700 monthly active users, an increase of 10.63% over the end of the previous year. The Bank continuously improved the system on the protection of consumers' rights and interests, and optimized the whole-process working mechanism and customer complaint handling process to improve the efficiency of complaint and dispute resolution, and enhance customer service capabilities. As at the end of the reporting period, the Bank had a total of 50,926,900 credit card customers, of which 3,280,300 were newly added during the year. The transaction volume was RMB2,374,581 million, the overdraft balance as at the end of the reporting period recorded RMB434,719 million (excluding payment adjustments to transitional accounts), and the business income posted RMB43,060 million.

7. Digital banking and cloud fee payment

Adhering to the customer-centered business philosophy, the Bank focused on main areas including Cloud Fee Payment, scenario-based finance, CEB Mobile Banking app, Cloud Fee Payment app, enterprise-level platform so as to improve open-ended, digital and intelligent service capabilities. Everbright Cloud Fee Payment continued to maintain its leading advantages as China's largest open-ended convenient payment platform, promoted convenient livelihood services and inclusive finance, and held steadfast to its blueprint. The daily-life convenient payment services expanded from provinces to cities, counties, townships and villages, and the government affairs and social security payment can be processed at a quicker pace via the "one-stop online service". Meanwhile, the Bank continued to expand output to the large and medium-sized cooperation platforms, and further enhanced its brand influence by releasing the *Convenient Fee Payment Industry Report of China* for nine consecutive years. As at the end of the reporting period, the platform offered 16,240 fee payment service items cumulatively, an increase of 1,749 items or 12.07% throughout the year. The payment service items were exported to 815 platforms cumulatively, an increase of 72 platforms or 9.69% throughout the year. The Bank processed 2,879 million transactions, up 12.07% year on year, with the total amount of payment reaching RMB832,138 million, up 23.05% year on year. The Bank constantly expanded scenario-based finance, and key businesses such as Sunshine Logistics Express (Wu Liu Tong) and Sunshine Housing Express (An Ju Tong). Sunshine Logistics Express (Wu Liu Tong) took a deep root in the logistics industry chain, and the Bank cooperated with over 80 leading enterprises and served over 9.8 million cargo owners and drivers. The transaction amount reached RMB218,004 million during the reporting period, up 13.63% year on year. Sunshine Housing Express (An Ju Tong) deeply engaged in housing transaction scenarios, and the Bank established in-depth cooperation with 21 leading enterprises in the industry, and the transaction amount stood at RMB390,845 million during the reporting period, up 30.25% year on year. CEB Mobile Banking 11.0 was launched, with its five main pages upgraded. The first "Wealth Illumination Festival" was held. The Cloud Fee Payment app completed its upgrading to the 4.0 version, and innovatively launched the wealth wallet balance investment product called Fee Payment Wallet ("Jiao Fei Bao"). As at the end of the reporting period, CEB Mobile Banking app had 61,915,700 registered users and 27,128,500 monthly active users, up 17.81% over the end of the previous year. The total number of directly-linked users of Cloud Fee Payment was 195 million, an increase of 27.45% over the end of the previous year, and the number of directly-linked monthly active users reached 26,194,700, an increase of 22.38% over the end of the previous year. During the reporting period, the Bank innovatively launched the Enterprise Administrative Management Platform ("Xin Yue Tong") to provide comprehensive digital services for enterprises, and assist medium, small and micro enterprises in digital transformation.

Case 7: Relying on the Enterprise Administrative Management Platform ("Xin Yue Tong") to serve medium, small and micro enterprises

The Bank focused on the digital transformation of medium, small and micro enterprise customers, innovatively launched the Enterprise Administrative Management Platform ("Xin Yue Tong"), an enterprise digital value-added service cloud platform, to provide one-stop service solutions consisting of enterprises' internal management services, such as human resources management, attendance record, salary payment and individual income tax, and bank payroll agency business, and assisted enterprises in reducing costs and increasing efficiency by giving full play to the advantages of fintech.

During the salary payment process, one electronic device manufacturing enterprise was long challenged by the inefficiencies and frequent mistakes arising from having to make pay slips separately even after the salary had been paid for a long time. After paying salary through the platform, the system could automatically push electronic pay slips to the employees, and this simple and easy-to-use service was highly recognized by the enterprise.

During the internal management processes such as human resources management, attendance record and salary payment, one bus company long adopted an offline management model, relying on manual form filling and physical signatures for approval. The Bank introduced this platform to the customer, providing a package of service solutions covering human resources management, attendance record, salary and tax calculation, individual tax application, as well as employee services and collaborative office solutions. Ultimately, the Bank helped the customer achieve digital transformation in internal management.

As at the end of the reporting period, the platform served 2,615 corporate customers.

iii. Financial market business

Operating income

RMB 27,872 million

GMV

RMB 3.94 trillion

↑18.14%

In financial market business, focusing on serving national strategies, the Bank constantly enhanced its business operation level and investment & trading capabilities, and continuously improved the quality and efficiency in serving the real economy. Focusing on high-quality development of interbank business and GMV growth of interbank customer groups, the Bank launched the "Integrated Digital Service Platform for Financial Institutions" to facilitate the construction of the interbank ecosystem. The Bank deepened the role of "Sunshine Wealth Management" in wealth management, and strengthened the allocation of broad-category assets. Meanwhile, the Bank optimized the investment layout of public REITs, and facilitated the implementation of stock option business. The Bank gave full play to the role of the custody platform, and linked asset management institutions in the whole market. Meanwhile, the Bank established connections between the asset-end and the liability-end of the Bank, and integrated wealth management financing matchmaking Scenarios to meet customers' investment and financing needs and increase their value contributions continuously. During the reporting period, the Bank's operating income registered RMB27,872 million, a year-on-year decrease of RMB179 million or 0.64%, accounting for 19.13% of the Bank's total operating income.

1. Treasury business

The Bank strengthened the level of refined treasury management, and gave full play to online financing to ensure liquidity safety for both RMB and foreign currencies. The Bank strengthened capabilities in macro economy research and analysis, and enhanced capabilities in making market timing transactions and capturing market trends to seize market opportunities. Meanwhile, the Bank focused on the allocation of central government bonds, local government bonds, policy financial bonds and high-rating debentures to optimize the bond portfolio management. Focusing on the development of agency business and adhering to the risk neutrality theory, the Bank facilitated the real economy to do exchange rate and interest rate hedging by means of expanding business scale and coverage, improving quality and reducing costs. The Bank stayed at the forefront among joint-stock banks in terms of government bond underwriting. The Bank improved overall profitability by utilizing collaborative mechanisms such as investment and underwriting coordination, and investment and custody coordination. As at the end of the reporting period, the balance of bonds in proprietary accounts amounted to RMB1,364,530 million, accounting for 20.20% of the Bank's total assets, 57.52% of which were central treasury bonds and local government bonds.

2. Interbank business

Leveraging digital transformation as a key driver, the Bank accelerated its pace of operation transformation, launched the Digital Integrated Service Platform for Financial Institutions to provide interbank customers with four major service areas: agency product sale, matchmaking quotation, technology output and market information, built new value growth points for interbank customers, and facilitated the steady growth of GMV, a North Star Metric. Focusing on national key areas and the development needs of the real economy, the Bank supported the direct financing of enterprises in green, inclusive and technological innovation fields, so as to provide targeted financial services to serve the real economy. Through forward-looking market research and analysis, the Bank constantly refined asset structure to improve the quality and efficiency of interbank business. The Bank strengthened business portfolio management by coordinating liquidity, risk management and performance indicators, and dynamically optimized asset and liability portfolio strategies. In addition, the Bank continued to pay attention to liquidity safety and facilitated liquidity management across the whole Bank. Adhering to the bottom line of compliance, the Bank kept business risks under strict control, enhanced monitoring and early warning for credit risks, and maintained stable asset quality. During the reporting period, the Bank conducted business cooperation with nearly 4,000 interbank customers, and the balance of interbank deposits stood at RMB552,326 million.

Case 8: Sunshine ABS, a hit product in interbank business

Sunshine ABS means the Bank invests in the debt assets issued by enterprises or financial institutions relying on the cash flows arising from stock assets or future assets.

Through Sunshine ABS, the Bank invested RMB4,850 million in ABS products issued by a company under a large automotive group, which led the cumulative investment amount to be RMB19,564 million. This not only helped the group improve the fund operation efficiency in automobile industrial chains, but also facilitated the group in promoting independent innovation and transformation towards advanced manufacturing.

Through Sunshine ABS, the Bank invested RMB7,708 million in ABS products issued by a new energy vehicle company, with a cumulative investment amount of RMB18,718 million. The underlying assets of the products were all new energy vehicle loans. It marked one of the important measures adopted by the Bank to support private enterprises and implement the green development philosophy.

In 2023, the Bank's Sunshine ABS served 108 new customers.

3. Asset management business

The Bank continued to deepen the important role of "Sunshine Wealth Management" in wealth management, satisfied customers' diversified wealth management needs, and supported the development of the real economy and the implementation of national strategies. Centering on the customer needs, the Bank strove to excel in product innovation and design, improved investment scenarios, shortened the fund redemption time for financing products, and enriched low-volatility products. The Bank continuously promoted the implementation of the production-research-investment systematic investment structure with value exploration as the goal, and consolidated the synergy between production and research. Meanwhile, the Bank strengthened the allocation of broad-category assets, and comprehensively utilized strategies such as fund transaction and qualitative investment, leading to stable net product values. The Bank delved deeper into serving the investment and financing needs of real economy enterprises, enriched the characteristic development of capital market business, and optimized investment in publicly-offered REITs to successfully facilitate the implementation of stock option business, and support the healthy development of SRDI enterprises. The Bank adhered to compliant operation and risk prevention & control, and conducted whitelist analysis and risk factor assessment. Meanwhile, the Bank strengthened risk monitoring and post-investment management, and maintained industry-leading risk control effectiveness. As at the end of the reporting period, the Bank's non-principal-guaranteed wealth management products under the scope of consolidated management marked a balance of RMB1,312,263 million. Among these, the balance of NAV wealth management products stood at RMB1,279,386 million, accounting for 97.49%. During the reporting period, the Bank cumulatively issued RMB2.67 trillion of non-principal-guaranteed wealth management products, and created value of RMB33,533 million for investors.

Case 9: Innovating investment and financing models to support sci-tech innovation enterprises

In June 2023, Everbright Wealth Management Co., Ltd. (Everbright Wealth Management) successfully registered the first batch of stock option projects at Beijing Equity Trading Center as the first bank wealth management company conducting stock option business, injecting new vitality into the high-quality development of technology enterprises.

One enterprise in Ningbo City engaging in new energy vehicle battery-related industry is a national-level high-tech enterprise and an SRDI enterprise in Zhejiang Province. Everbright Wealth Management signed a stock option business agreement with this enterprise. Therefore, from 2023 to the next three years before going public, this enterprise shall grant Everbright Wealth Management the preemptive right to purchase its equity, and Everbright Wealth Management shall also actively utilize its own resource advantages to assist in introducing venture capital (VC) funds and support the future growth of the enterprise.

Throughout the year, Everbright Wealth Management made contracts with over one hundred technology enterprises or SRDI enterprises, and completed over 60 transactions of stock option business. Among these enterprises, more than half of them are national "Small Giant" enterprises, covering various fields such as computer, integrated circuit, biological medicine, power equipment and machinery equipment.

Column 2: Focusing on high-quality development to open up new prospects in asset management business

In 2004, the Bank's Sunshine Wealth Management was officially launched as the first RMB-denominated wealth management product in China, ushering in a new era of wealth management for Chinese citizens. Over the past 20 years, the Bank's Sunshine Wealth Management has been dedicated to serving citizens in preserving and increasing their wealth and contributing to China's economic development and prosperity. After the implementation of the new asset management rules, Everbright Wealth Management, as the successor of Sunshine Wealth Management, focuses on quality, adheres to integrity, makes breakthroughs, and continues to open up new prospects in asset management business.

I. Putting customers first and providing investors with high-quality service

In order to meet the diversified customer needs for wealth management, the Bank continued to enrich the "Colorful Sunshine" NAV wealth management product spectrum, and promoted pilot projects in multiple industries such as publicly-offered REITs, pension wealth management and e-CNY wealth management. Based on the risk preference and investor needs, the Bank focused on launching low-volatility wealth management products, optimizing the fund transfer time of wealth management products upon redemption, and completing the upgrading of multi-level wealth management scenarios. The Bank conducted accurate positioning for product risks and returns, firmly implemented investor suitability requirements, actively carried out investor education, strengthened the protection of investors' rights and interests by raising their wealth management awareness, and strove to provide investor with experience that basically meets or occasionally exceeds expectations. Since its establishment, Everbright Wealth Management cumulatively created value of RMB138,625 million for investors.

II. Adhering to the responsibility of supporting national strategies with high-quality service

The Bank continuously innovated investment and financing product portfolios under the category of asset management, effectively strengthened support for major national strategies, key areas and weak links, accompanied the growth of real enterprises, deeply participated in ESG investment, and played a leading role in publicly-offered REITs, capital market business, pre-emptive right business, etc., providing medium- and long-term financial support for high-quality enterprises. Moreover, the Bank promoted the construction of a production-research-investment systematic investment structure suitable for the risk preference of wealth management products, strengthened investment capabilities in terms of investment paradigm, procedure, data, factor and platform to build a multi-asset, multi-strategy and all-weather investment platform, dynamically optimized the portfolio management, timely adjusted investment strategies, and actively searched for cost-efficient assets, with a relatively stable net value of products and good market recognition.

III. Persisting in stable and prudent business operation to realize its own high-quality development

Adhering to the bottom line of risk management and compliance, the Bank took the new rules on the internal control of wealth management as the starting point to comprehensively improve the effectiveness of internal control of its asset management business. The Bank proactively responded to the change of policies for financing platforms and the real estate industry, continuously strengthened risk monitoring and early warning, and constructed intelligent early warning models. The Bank took the lead in monitoring the "penetration limit indicator" among peers and strengthened refined management for liquidity risks. Adhering to the strategic path of "regarding technology as the carrier", the Bank continuously promoted digital empowerment to support the sustained and high-quality development of its asset management business.

In the face of new development opportunities such as resident wealth reallocation, construction of the second and third pillars of pension system, and inclusive wealth management, the Bank's Sunshine Wealth Management will adhere to the investor-centered philosophy, continue to create sustainable value returns, and serve national strategies with its professional strength.

4. Asset custody business

The Bank's asset custody business changed in response to the times and in line with the market trends, proactively adjusted marketing strategy and product layout, and utilized the synergy of collaboration to continue to expand its custody scale, increase its custody income and promote the "Everbright Custody" brand. The Bank facilitated digital transformation, strengthened the service capabilities of custody systems, and optimized customer experience to solidify customer base. Seizing the development opportunities of pension finance, the Bank made great strides in pension finance, and fully expanded pension finance business to support the coordinated development of the first, second and third pension pillars, and build the pension finance ecosystem. The Bank improved the level of refined management, and deepened cost reduction and efficiency enhancement to achieve the safe, continuous and stable operation throughout the year. During the reporting period, the Bank's income after tax from custody business amounted to RMB1,698 million.

XV. BUSINESS INNOVATION

Giving full play to the advantages of special funds for fintech innovation, the Bank improved the innovation management mechanism and enhanced innovation guidance and incentives to amplify innovation-oriented momentum. At the same time, it reinforced the incubation effect of innovation funds to cultivate and incubate more projects. As at the end of the reporting period, the Bank initiated 89 innovation projects, providing strong support for the development of various sectors such as corporate banking, retail banking, financial market and back-office support. The Bank granted the Annual Innovation Development Awards under five main categories to a total of 42 projects and 147 creative plans, so as to encourage more outstanding innovation achievements and facilitate financial product innovation through integration.

XVI. FINANCIAL TECHNOLOGY

The Bank established a three-in-one digital Everbright strategic framework integrating "Bank-wide strategic planning, digital transformation planning and technological strategic planning", and furthered the building of the "123+N" digital banking development system. During the reporting period, the core indicators continued to grow. Continuously empowered by "one smart brain", the Bank developed over 1,100 training algorithm models, up 6% from the previous year, and realized the cross application of multi-modal bio-metrics identification covering over 680 scenarios, up 12% from the previous year. The "two technological platforms", namely cloud computing platform and big data platform, were further consolidated. The cloud computing platform 3.0 (i.e. "Full Stack Cloud" or "Quan Zhan Yun") realized automatic and controllable operation. The practice of resilient disaster recovery of the Full Stack Cloud was successfully selected into the "Excellent Cases of Cloud System Disaster Recovery". Nearly 90% of the Bank's application systems were uploaded to the cloud. The big data platform supported efficient computing, and the total amount of data on the platform exceeded 13 PB, an increase of 7% over the previous year. "Three service capabilities" were steadily improved with a focus on mobilized, open-ended and ecosystem-based development, and the new digital operation model based on the customer-centered business philosophy was created. The "N (numerous) digital hit products" provided customers with convenient online financial services such as Cloud Fee Payment, Cloud Payment, Sunshine Digital Loans, Sunshine Logistics Express, Overseas Finance Cloud and Sunshine E-financing Chain.

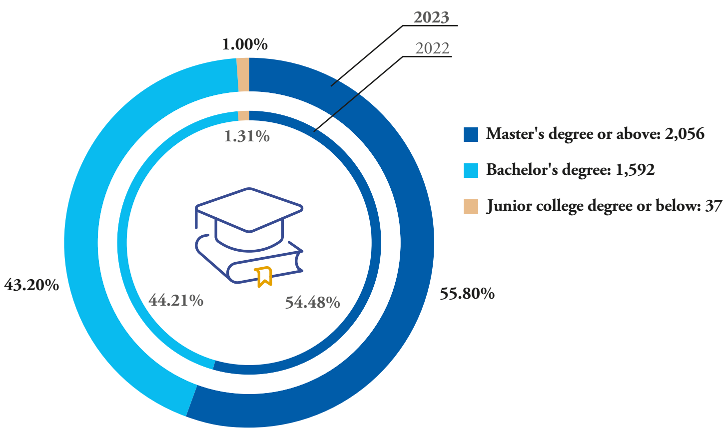
The Bank optimized the technology innovation mechanism, launched the "Golden Idea" incubation program, and achieved encouraging results in technology innovation projects. 599 technology projects obtained patents or software copyrights, including "IT-based Alarm Device" and "Stabilizing Frame for Network IT Switchboards". 39 technological projects won recognition and awards in the industry, including "Construction of Digital Infrastructure System Based on Full Stack Cloud" and "Construction of New-generation Data Warehouse Platform System".

Management Discussion and Analysis

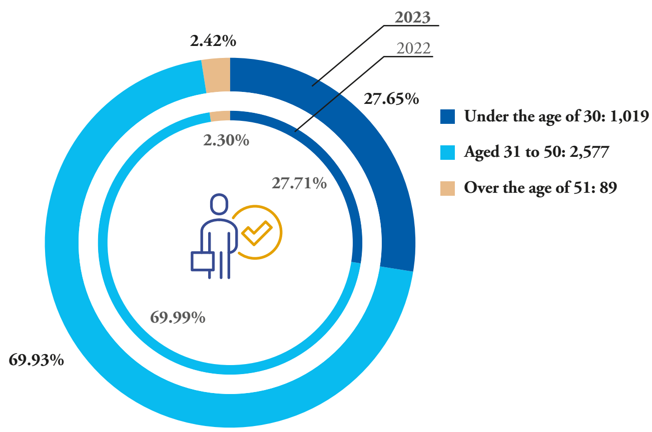
The Bank continued to improve the technological input-output effect, and strengthened the building of talent teams. During the reporting period, the Bank invested RMB5,815 million in technology development, a decrease of RMB312 million or 5.09% over the previous year, accounting for 3.99% of the operating income. As at the end of the reporting period, the number of IT personnel across the Bank was 3,685, an increase of 473 over the previous year, accounting for 7.74% of the personnel of the Bank. By educational background, 37 employees held a junior college degree or below, accounting for 1.00%; 1,592 employees held a bachelor's degree, accounting for 43.20%; 2,056 employees held a master's degree or above, accounting for 55.80%. By age, 1,019 employees were under the age of 30, accounting for 27.65%; 2,577 were aged 31 to 50, accounting for 69.93%; 89 were over the age of 51, accounting for 2.42%.

The Bank strengthened efforts to ensure safety during major festivals and critical periods of time. The Bank organized unified routine drills, network security drills, data security inspections, disaster recovery switching drills and other activities to enhance the safe operation capability of information systems. During the reporting period, the Bank's information systems operated steadily, with no major security incident occurred.

The educational background structure of IT personnel of the Bank



The age structure of IT personnel of the Bank



Column 3: Promoting technology empowerment to build a digital Everbright

Focusing on the new strategic plan for technology, the Bank proactively promoted in-depth integration of business and technology, carried out key strategic technology projects, and propelled data governance and value creation of data assets to make great strides in digital finance.

I. Strengthening the top-level design and planning to promote the construction of a digital Everbright

The Bank released and implemented the *Strategic Technology Plan* to promote Bank-wide digital transformation. The Bank promoted the implementation of blueprints for technological governance, application architecture, data architecture, technology architecture and information security architecture, focused on the building of business middle offices of customer management, marketing, intelligent operation and intelligent risk control, as well as data middle office and technology middle office, and strengthened the enterprise-level sharing capabilities. Focusing on six research directions including technology pre-research, innovation practice, scale promotion, technology standardization, industry impact and service innovation, the Bank set up nine special research offices to further carry out forward-looking pre-research and reserve on new technologies such as big data, cloud computing, 5G+ internet, AI and blockchain.

II. Focusing on the deep integration of business and technology to develop scenario-based finance

In corporate banking, the Bank continued to build "customer" and "marketing" middle offices, expanded the functions of standardized components for customer middle office, and refined labeling according to customer characteristics and behaviors, covering 2.53 million customers for marketing. The Bank introduced a special zone of inclusive finance on mobile banking, and launched a series of innovative inclusive finance products such as SRDI Enterprise Loan and Sunshine E-guarantee Loan. In addition, the Bank put into production the new-generation international settlement system, launched four special zones for transaction banking services, and released products of Transaction Banking "Yi" (Easy) Series 2.0 such as Order Loan, E-construction Loan and E-forex Purchase Loan.

In retail banking, the Bank built core capabilities of the retail middle office and empowered digital operation. The intelligent marketing platform cumulatively provided marketing leads to reach 656 million person-times and achieved sales of RMB2.49 trillion. The Bank accumulated 1,200 tag libraries of customer portraits, and built 450 customer group grids for a stratified and grouped customer management system. The Bank completed the production of the asset allocation companion service platform, built a middle office framework for asset allocation strategy, and provided differentiated and diversified wealth planning services. Moreover, the Bank launched a series of "Sui Xin Bao" cash management products to enhance the profitability and liquidity of financial products.

In financial market business, the Bank launched the Treasury Business Integrated Management Platform (Phase I) to provide comprehensive businesses of bond fund, monetary fund and RMB lending combining front, middle and back offices, marking a milestone in independent system construction. The Bank launched the Integrated Digital Service Platform for Financial Institutions to build a comprehensive product service system for interbank customers. The Bank launched the CEB risk hedging agency financial market service (Phase I), realizing online management of interest rate derivatives agency business. In addition, the Bank launched a bond underwriting and distribution system, realizing whole-process direct processing for the primary market bond underwriting business by the Head Office and branches.

In digital finance, the Bank continued to expand scenarios on Cloud Fee Payment, with a total of 815 cooperation merchants, a new high in social security payment business. The fee payment products are connected to e-CNY scan payment, e-CNY app, Douyin Pay and Huawei Pay, to further expand customer acquisition capabilities. The Bank launched Fee Payment Wallet ("Jiao Fei Bao"), the Bank's first fee payment fund investment product, to help customers realize smooth fund purchase and quick redemption. Moreover, the Bank launched the Enterprise Administrative Management Service Platform ("Xin Yue Tong") to serve the digital transformation of medium, small and micro enterprises, with the agency payroll business at the core, providing enterprises with whole-process online solutions for HR and salary management.

III. Strengthening data asset management and leveraging the value of data elements

In terms of data asset governance, the Bank continued to promote data standard and quality unification, and completed standard formulation for over 100 indicators covering fields such as inclusive finance, green finance and technology finance, with the comprehensive score for data quality increased by 4.62 points year-on-year.

In terms of data security management, the Bank persisted in promoting a management mechanism of combining data security with business scenarios, and completed data security influence assessments for more than 300 key business scenarios.

In terms of data platform construction, the Bank established a regular cost reduction management mechanism to promote existing data compression and incremental data control with the help of technological innovation. The Bank also strengthened the construction of enterprise-level data middle office to efficiently support business scenarios such as Sunshine Fast Loan (Guang Su Dai) and debit card deposit product marketing.

In terms of data analysis and application, the Bank established a certification and appointment mechanism for data analysts across the bank, and attracted over 3,000 employees to take certification exams with nearly 700 data analysts formally appointed. The Bank established an intelligent special marketing system for the retail business line. The Bank also carried out a special analysis on quick payment, directly driving the growth of quick payment transactions by over RMB10 billion.

In terms of data element innovative practices, the Bank released the *Implementation Plan for Enterprise Data Resource Accounting* and the *Research Report on Financial Products and Services Based on Data Elements of Commercial Banks*. CEB Guiyang Branch launched Valuable Data Asset Loan ("Gui Shu Dai"). The Bank also signed cooperation agreements with Shenzhen Data Exchange, Shanghai Data Exchange and Guiyang Global Big Data Exchange, to carry out financing business with the credit enhancement of data assets in CEB Shenzhen Branch, Shanghai Branch, Guiyang Branch and some other branches.

IV. Building an intelligent application system to facilitate business innovation and transformation

In terms of digital transformation, the Bank strengthened top-level design for digital transformation in a coordinated manner, OKR process management mechanism construction and efficiency evaluation system construction, and officially released the *Digital Transformation Plan (2023-2025)*, covering the overall plan and the six sub-plans for corporate banking, retail banking, financial market, risk management, digital technology and organizational guarantee.

In terms of integrated intelligent operation, the previous intelligent risk control and intelligent marketing models that were independently carried out for asset customers and liability customers have gradually been transformed into an integrated intelligent operation model of risk and marketing for all customers, improving the comprehensiveness, real-time performance, and sustainability of customer operation. This model was first applied in Sunshine Fast Loan (Guang Su Dai), with a balance of RMB8,082 million at the end of the reporting period.

In terms of tech empowerment for corporate banking, the Bank innovatively established a credit customer whitelist management mechanism in collaboration with the corporate banking business line. Through risk screening, dynamic grading and marketing lead mining technologies, the Bank increased RMB146,600 million in credit balance for whitelisted customers, boosting the balance of demand deposits by RMB40,400 million.

In terms of tech empowerment for inclusive finance, the Bank launched an innovative product called SRDI Enterprise Loan, with a balance of RMB7,157 million as at the end of the reporting period.

In terms of tech empowerment for retail banking, the Bank realized automated approvals for internet platform loans during the year with a balance of RMB187,197 million, as well as traditional personal loan approvals with a balance of RMB869,253 million. Throughout the year, the cumulative increase in AUM for long-tail customer groups was RMB136,396 million, the cumulative increase in AUM for basic customer groups was RMB19,688 million, and the sales of private banking agency products amounted to RMB8,490 million.

XVII. HUMAN RESOURCES MANAGEMENT

The Bank thoroughly implemented the talent development plan, and vigorously cultivated a diverse range of talent teams that meet the strategic development needs of the Bank. The Bank strengthened the building of leading teams, conducted overall deployment planning for the leading teams of all levels and categories, and appointed more outstanding young cadres. The Bank improved the staff allocation and management model to elevate the input-output efficiency of human resources. The Bank optimized organizational structure set-up to enhance the effectiveness of organizational operation. The Bank optimized the incentive and constraint mechanism and improved the performance assessment and remuneration system. Moreover, the Bank strengthened education and training work and improved the level of independent talent cultivation system.

XVIII. INVESTMENT ANALYSIS

i. As at the end of the reporting period, the balance of the Bank's material equity investments amounted to RMB13,233 million, on par with that of the previous year.

ii. Material equity investments

Unit: RMB10,000, 10,000 shares, %

Investee	Principal business	Investment amount	Number of shares held	Percentage of shareholding	Profit or loss in the reporting period	Partner
Everbright Financial Leasing Co., Ltd.	Financial leasing	468,000	531,000	90	196,894	Hubei Port Group Co., Ltd., Wuhan Rail Transit Construction Co., Ltd.
Everbright Wealth Management Co., Ltd.	Wealth management	500,000	–	100	176,376	Nil
Beijing Sunshine Consumer Finance Co., Ltd.	Personal consumer finance	60,000	60,000	60	17,110	China CYTS Tours Holding Co., Ltd., O-Bank Co., Ltd
CEB International Investment Corporation Limited	Investment banking	HKD2,600 million	–	100	HKD12.90 million	Nil
China Everbright Bank (Europe) S.A.	Fully-licensed banking business	EUR20 million	–	100	EUR4.75 million	Nil
Shaoshan Everbright Rural Bank Co., Ltd.	Commercial banking	10,500	10,500	70	802	Sany Group Co., Ltd., Guangzhou Baoli Hetai Financial Holding Co., Ltd., Changsha Tongcheng Holding Co., Ltd., Shaoshan Urban Construction Investment Co., Limited
Jiangsu Huai'an Everbright Rural Bank Co., Ltd.	Commercial banking	7,000	7,000	70	62	Jiangsu East Goldfox Fashion Co., Ltd., Huai'an Hongyun Municipal Co., Ltd., Nanjing Mengdu Tobacco Packaging Co., Ltd., Huai'an Honghuai Agricultural Industry Development Co., Ltd.
Jiangxi Ruijin Everbright Rural Bank Co., Ltd.	Commercial banking	10,500	10,500	70	926	Ruijin Cultural Tourism Development and Investment Co. Ltd., Ruijin Hongdu Aquatic Product Food Co. Ltd., Ruijin Shitong Driver Training School Co., Ltd., Ruijin Lvyexuan Forestry Co., Ltd.
China UnionPay Co., Ltd.	Bank card clearing	9,750	255,000	2.56	1,214,600	Other commercial banks, etc.
National Financing Guarantee Fund Co., Ltd.	Re-guarantee	100,000	–	1.51	–	20 shareholders including MOF, China Development Bank, Industrial and Commercial Bank of China, China Merchants Bank, China Life, etc.

Notes:

1. All the above-mentioned material equity investments were made with unquoted equity.
2. All the above-mentioned material equity investments were long-term investments.
3. All the above-mentioned material equity investments were in the form of new establishment.
4. All the above-mentioned material equity investments were completed.
5. All the above-mentioned material equity investments were not subject to any litigation.

iii. During the reporting period, there was no material non-equity investment and the Bank conducted bond investment in the ordinary and usual course of business. Please refer to the aforementioned for details.

iv. Financial assets designated at fair value during the reporting period

The Bank held domestic and overseas bonds and financial derivative instruments measured at fair value in the ordinary and usual course of business. Please refer to "Notes to the Consolidated Financial Statements" for details.

XIX. DURING THE REPORTING PERIOD, THERE WAS NO ACQUISITION OR DISPOSAL OF MATERIAL EQUITY OF THE BANK.

XX. MAJOR COMPANIES IN WHICH THE BANK HELD EQUITY

i. Everbright Financial Leasing Co., Ltd.

Established in May 2010, the company engages in financial leasing business. It was registered in Wuhan City, Hubei Province with a registered capital of RMB5,900 million. During the reporting period, adhering to the purpose of serving the real economy, the company gave full play to the features of financial leasing such as industry-finance integration and fund-assets combination, formed certain brand advantages in professional fields such as aviation, shipping, vehicles and new energy, and actively expanded new infrastructure, new materials, high-end manufacturing and other fields. It provided comprehensive, high-quality and efficient operating leasing and financial leasing services for customers with a nationwide business network. As at the end of the reporting period, its total assets and net assets were RMB137,558 million and RMB14,987 million, respectively. It realized a net profit of RMB1,969 million for the reporting period.

ii. Everbright Wealth Management Co., Ltd.

Founded in September 2019, the company specializes in asset management related businesses such as the issuance of publicly-offered wealth management products, the issuance of privately-offered wealth management products, and wealth management advisory and consultation. It was registered in Qingdao City, Shandong Province with a registered capital of RMB5 billion. During the reporting period, the company upheld the customer-centered philosophy, continued to enrich the "Colorful Sunshine" product spectrum, optimized the accompanying system for customers' investment experience, increased the investment and research capabilities to support the real economy and serve national strategies, and made practical efforts to safeguard investors' interests. As at the end of the reporting period, its total assets under management, total assets and net assets were RMB1,312,361 million, RMB10,611 million and RMB10,023 million, respectively. It realized a net profit of RMB1,764 million for the reporting period.

iii. Beijing Sunshine Consumer Finance Co., Ltd.

Founded in August 2020, the company specializes in businesses related to personal consumer loan granting. It was incorporated in Beijing with a registered capital of RMB1 billion. During the reporting period, the company actively promoted the building of proprietary scenarios and the enhancement of independent risk control capabilities. As at the end of the reporting period, its total assets and net assets were RMB11,677 million and RMB1,319 million, respectively. It realized a net profit of RMB171 million for the reporting period.

iv. CEB International Investment Corporation Limited

Registered with a capital of HKD2.6 billion in Hong Kong SAR in June 2015, the company was licensed for securities trading, securities consultation, financing consultation and asset management business. During the reporting period, the company focused on developing such investment banking businesses as listing sponsorship and underwriting, public offering and placement of new shares by listed companies, and enterprise refinancing. As at the end of the reporting period, its total assets and net assets were HKD6,366 million and HKD1,525 million, respectively. It realized a net profit of HKD12.90 million for the reporting period.

v. China Everbright Bank (Europe) S.A.

The company was incorporated in Luxembourg in July 2017 with a registered capital of EUR20 million. As a fully-licensed banking institution, it mainly engages in deposit taking, lending, bill issuance, bond issuance and other businesses of credit institutions permitted by the laws in Luxembourg. During the reporting period, it mainly conducted risk participation buying, among other credit businesses. As at the end of the reporting period, its total assets and net assets were EUR185.97 million and EUR20.35 million, respectively. It realized a net profit of EUR4.75 million for the reporting period.

vi. Shaoshan Everbright Rural Bank Co., Ltd.

Founded in September 2009, the rural bank engages in commercial banking services including deposit taking and lending. It was registered in Shaoshan City, Hunan Province with a registered capital of RMB150 million. During the reporting period, focusing on serving agriculture, rural areas and rural residents as well as Shaoshan City, it developed businesses for micro and small enterprises, helped boost the growth of county economy, and explored ways to support rural economic development with its financial products and services. As at the end of the reporting period, its total assets and net assets were RMB893 million and RMB244 million, respectively. It realized a net profit of RMB8.02 million for the reporting period.

vii. Jiangsu Huai'an Everbright Rural Bank Co., Ltd.

Founded in February 2013, the rural bank engages in commercial banking services including deposit taking and lending. It was registered in Huai'an City, Jiangsu Province with a registered capital of RMB100 million. During the reporting period, it served agriculture, rural areas and rural residents, expanded businesses for micro and small enterprises, and achieved a steady growth. As at the end of the reporting period, its total assets and net assets were RMB1,050 million and RMB138 million, respectively. It realized a net profit of RMB0.62 million for the reporting period.

viii. Jiangxi Ruijin Everbright Rural Bank Co., Ltd.

Founded in November 2018, the rural bank engages in commercial banking services including deposit taking and lending. It was registered in Ruijin City, Jiangxi Province with a registered capital of RMB150 million. During the reporting period, it explored ways to serve agriculture, rural areas and rural residents, and developed businesses for micro, small and medium enterprises. As at the end of the reporting period, its total assets and net assets were RMB701 million and RMB183 million, respectively. It realized a net profit of RMB9.26 million for the reporting period.

XXI. STRUCTURED ENTITIES CONTROLLED BY THE BANK

The structured entities controlled by the Group but not recognized in the consolidated financial statements mainly include special asset management plans. Please refer to "Notes to the Consolidated Financial Statements" for details.

XXII. RISK MANAGEMENT

i. Credit risk management

The Bank optimized unified credit management, and strengthened consolidated limit management and control, and data governance. The Bank intensified loan concentration management, further improved the asset structure, accelerated resolution for stock risks, and strictly prevented incremental risks. The Bank optimized the management framework and risk management system for off-balance-sheet businesses, and focused on risk control in key fields to further standardize management for cooperative institutions. The Bank strengthened industry research and facilitated the commercialization of research outcomes. The Bank promoted the application of big data and AI to upgrade traditional risk control technologies, and advanced digitization for risk management. The Bank continued to advance qualification certification and duty performance management for customer managers, product managers, and personnel in key risk management positions, to build professional teams and improve risk prevention and control abilities. Meanwhile, the Bank promoted the combination of NPA accountability mechanism and risk management improvement, so as to improve weak links in a timely manner, strengthen precise and serious accountability, and deepen the bottom line awareness, responsibility awareness and compliance awareness for all employees.

The Bank adhered to the principle of serving the real economy, optimized credit resource allocation, and maintained stable credit growth. Meanwhile, the Bank stepped up financial services for major strategies, key fields and weak links, supported technological innovation, advanced manufacturing, green development and MSEs, and focused on technology finance, green finance, inclusive finance, pension finance and digital finance. The Bank implemented the 16 financial measures in real estate put forward by the regulators, supported people's rigid demand for buying their first homes or improving their housing situation, and promoted stable and healthy development of the real estate market. The Bank formulated a separate credit plan for MSEs and stepped up credit support for agriculture-related enterprises and MSEs. The Bank also strengthened financial services for the consumption sector and supported the expansion of domestic demands.

The Bank strictly classified assets in an accurate manner so as to disclose risk profile dynamically and objectively. The Bank pursued a prudent and sound provision policy, performing impairment testing and provisioning in line with the new accounting standards for financial instruments. Besides, the Bank improved the whole-process asset quality management mechanism, strengthened portfolio monitoring and penetration risk monitoring for large-value credit customers, and stepped up risk prevention in key areas. It also intensified the disposal of existing non-performing loans, and broadened disposal channels.

Please refer to "Notes to the Consolidated Financial Statements" for further details about credit risk management.

ii. Liquidity risk management

The Bank strictly stuck to the bottom line of liquidity safety, insisted on a prudent concept for liquidity risk management, and adopted an active liquidity management strategy, in a bid to maintain liquidity at an adequate and stable level. In response to changes in economic and financial situations at home and abroad, the Bank positively responded to the challenges in operating environment, made forward-looking evaluation and strategic planning, and enhanced overall planning for diversified liabilities. The Bank regularly conducted stress testing and emergency plan assessment, strictly controlled liquidity risk limits to proper balance liquidity, security and benefits, further improved its consolidated management governance system, and enhanced the risk resistance capacity of the Group.

Please refer to "Notes to the Consolidated Financial Statements" for further details about liquidity risk management.

iii. Market risk management

The Bank closely followed international political and economic situations as well as domestic and overseas markets, conducted forward-looking evaluation and management on interest rate risk, exchange rate risk and commodity risk. The Bank continued to improve its market risk management policy system, and strengthened market risk limit management. Meanwhile, the Bank actively advanced the building of market risk measurement engine and the system construction under the new standardized approach for market risks.

Please refer to the "Notes to the Consolidated Financial Statements" for further details about market risk management.

iv. Large exposures management

In line with the *Measures for the Administration of Large Exposures of Commercial Banks* (Decree No. 1 of CBIRC in 2018), the Bank continuously enhanced large exposures management, orderly carried out work relating to measurement, monitoring and system optimization for large exposures, and thus effectively brought customer concentration risk under control. During the reporting period, all limit indicators for the Bank's large exposures were controlled within the regulatory scope.

Please refer to "Summary of Accounting Data and Financial Indicators" for relevant data about the indicators of large exposures.

v. Country risk management

The Bank established a country risk management system that fits in with its risk profile, set country risk limits and regularly monitored them, carried out country risk stress tests, and formulated procedures for handling material risk events. As at the end of the reporting period, the Bank was granted above investment grades in national and international ratings for country risk exposures. It also accrued adequate country risk provisions in accordance with regulatory requirements.

vi. Operational risk management

The Bank strengthened dynamic identification and monitoring in operational risk management, effectively utilized the collective application of historical loss data, and improved risk prevention, problem tracking, risk disposal and rectification work. The Bank paid close attention to regulatory penalties in real time, analyzed and summarized key violation cases, drew lessons from them, and took preventive measures. The Bank carried out the risk case collection event, and strengthened cautionary reporting and education training on common risks in key fields. The Bank actively implemented related provisions of the new rules on capital management, optimized implementation plans, developed management systems, and improved systems for operational risk management and capital measurement.

Please refer to "Notes to the Consolidated Financial Statements" for further details about operational risk management.

vii. Compliance risk management

The Bank actively carried out the work requirements of "Regulation Implementation Year" by constantly following changes in external laws and regulations, and regularly reviewing internal rules and regulations. Focusing on key areas of regulatory concern, the Bank strengthened the effectiveness of system implementation. The Bank set internal control and compliance officers in the main business departments of the Head Office, and built a comprehensive and three-dimensional due diligence supervision system. The Bank improved the quality and efficiency of case prevention and control management, organized the special activity of "strengthening legal case prevention and promoting compliance", and carried out screening and investigations into employees' abnormal fund transactions. The Bank promoted strict and precise accountability, and optimized the employee behavior management system. Meanwhile, the Bank strengthened related party transaction management, improved authorization management system, and timely conducted dynamic adjustments. The Bank strengthened early warning and reporting management for the compliance risks of consolidated institutions, and built a long-effect mechanism for internal compliance management.

viii. Reputational risk management

With the overall goal of maintaining good reputation of the Bank, and the principle of full management coverage for reputation risks, the Bank further strengthened processes, improved capabilities, enhanced supervision, and improved the reputational risk management mechanism. The Bank continuously strengthened daily monitoring on public opinions as well as regular checks on potential reputational risks, paid attention to the ex-ante prevention of risk events, and adhered to risk prevention and resolution from the source. The Bank combined reputational risk management with banking business development, and improved the reputational risk response capability and the management level.

ix. Money laundering risk management

The Bank actively implemented the risk-based management strategy, and improved money laundering risk control mechanism to ensure that the requirements on money laundering risk management were integrated into the daily management and operational processes of specific business departments. The Bank optimized the customer money laundering risk rating system and exerted more effective risk control on high-risk customers. Meanwhile, the Bank improved the pre-warning rules and investigation processes for due diligence, organized regular and special inspections for domestic branches, and strengthened supervision and guidance for overseas branches to improve the monitoring effect of suspicious transaction monitoring model. The Bank also paid close attention to the trends of money laundering crimes, and regularly organized anti-money laundering publicity and training activities.

x. Credit policies for key fields

The Bank attached great importance to risk prevention in the real estate sector, adapted to the new situation that significant changes in the supply-demand relation happened in China's real estate market, and implemented city-specific policies. The Bank granted stable loans to the real estate development sector, and provided financial services to help "ensure timely delivery of pre-sold homes and stabilize people's livelihoods". Meanwhile, the Bank maintained reasonable and moderate financing for the real estate industry, accelerated risk resolution for key projects, and facilitated the virtuous cycle and healthy development of the real estate industry. In corporate banking, the Bank adhered to list-based customer management, and highlighted the selection of "high-quality real estate enterprises" in credit granting. Meanwhile, the Bank strictly implemented project compliance management, and followed the regulatory requirements on closed fund management. In retail banking, the Bank granted personal mortgage loans to core regions and projects, and actively met people's demand for buying their first homes or improving their housing situation. Meanwhile, the Bank implemented differentiated mortgage/pledge ratio management for different regions and projects, and properly carried out access management for real estate projects.

XXIII. OUTLOOK OF THE BANK

i. Landscape and development trend of the industry

Looking into 2024, China's banking industry will maintain prudent operation. The industry is expected to witness a steady growth in the scale of assets, effective increase in the total amount of credits, optimized asset structure based on major credit business, real economy and consumer demand with a focus on technology finance, green finance, inclusive finance, pension finance and digital finance, and continuous decrease in the costs of both corporate comprehensive financing and personal consumer credit. The asset quality is expected to improve gradually, with controllable overall credit risk. The liability structure will see continuous optimization based on macro policies and market trends, adjustments with focuses on obtaining source funds and increasing demand deposits, and possible decline in liability cost at the same time. Operation differentiation among banks will increase further on account of continuous economic restructuring as well as different phases and varying effectiveness, and scale effect influence of commercial banks' reform and transformation.

ii. Business plan

Upholding the high-quality development philosophy, the Bank will stick to the bottom line of liquidity safety, maintain sufficient capital to forestall and defuse financial risks, and improve operating revenues of the whole Bank. Under the premise that no significant change will happen in current operation environment and regulatory policies, the Bank will strive to achieve a loan growth rate of no lower than 6%. This business plan does not constitute a performance commitment of the Bank to its investors, who shall maintain sufficient risk awareness and understand the discrepancy between business plan and performance commitment.

iii. Capital demand plan

The Bank will formulate capital replenishment plans based on its financial budget, strategic plans and stress testing results. Based on actual conditions, the Bank will replenish capital via both internal and external channels, and further consolidate capital foundation, to address the influences of economic cyclical fluctuations and changes in regulatory policy changes, ensuring long-term sustainable development.

iv. Potential risks and countermeasures

In 2024, internationally speaking, world economy, trade and investment are slowing down, with the high global inflation showing a downward trend and the interest rates of developed countries remaining high. The international financial market remains unstable, geopolitical conflicts linger, external environment stays volatile, and world economy lacks momentum for recovery. From the domestic perspective, upholding the principle of pursuing progress while ensuring stability, promoting stability through progress, and establishing the new before abolishing the old, China strengthens counter-cyclical and cross-cyclical adjustments of macroeconomic policies, continues to implement proactive fiscal policies and prudent monetary policies, and enhances innovation and coordination of policy instruments. The basic trend of economic recovery and long-term improvement remains unchanged. Meanwhile, China still faces significant difficulties and challenges in economic recovery, including insufficient effective demand, overcapacity in certain industries, weak social expectations, numerous potential risks, bottlenecks in the domestic circulation, and increasing complexity, severity and uncertainty in the external environment. Under the background of fiercer competition in the banking industry, rapid fintech development, deepened interest rate market reform and continuously heavier downward pressure on deposit and loan spreads all give rise to difficulties in bank asset and liability management, and both the traditional business philosophy and the operation model of commercial banks face major challenges.

The Bank will stay true to the general principle of pursuing progress while ensuring stability, focus on its main missions and major businesses, and comprehensively and thoroughly implement the principle of "Eight Adherences" of the 2023 Central Financial Work Conference, base on both domestic and international imperatives, and coordinate effective qualitative improvement and reasonable quantitative growth to provide high-quality financial services for socioeconomic development and continuously promote the high-quality development. First, the Bank will strive to serve the real economy. The Bank will accelerate the strategic transformation of "commercial banking + investment banking + private banking", provide accurate and strong support for major strategies, key fields and weak links, and focus on serving five target areas including technology finance, green finance, inclusive finance, pension finance and digital finance. Second, the Bank will adhere to serving the people's livelihood. By providing low-cost, wide-coverage and convenient financial products and services in a more market-oriented and sustainable manner, the Bank will help create sustainable value returns for urban and rural residents to promote common prosperity, and make effective efforts to safeguard consumers' interests. Third, the Bank will focus on improving core competitiveness, and enhance the driving role of digital transformation in business development. The Bank will optimize the allocation of fund resources, and coordinate the regional development planning to better give play to the core role of CEG in providing comprehensive financial services. Fourth, the Bank will resolutely maintain financial security by improving the prudent and efficient comprehensive risk management system, strictly adhering to the internal control and compliance policies, perfecting the audit supervision system and strengthening safe production management, so as to play its stabilizing role as a systemically important bank.

Environmental and Social Responsibilities

Environmental and Social Responsibilities

I. ENVIRONMENT INFORMATION

Green loans

RMB 313,762 million

57.44%

Loans to clean energy sector

RMB 62,945 million

102.02%

i. Green finance

1. Green finance policy

The Bank fully applied the green development philosophy and conscientiously implemented relevant regulatory policies to improve the organizational structure and working mechanism of green finance. The Bank developed green finance credit policies, as well as a classification manual for green investment and financing, strengthened the system-aided function of green financing identification, and innovated the service mode for green finance. The Bank promoted carbon emission right mortgage loan and forest right mortgage loan, launched the model of "Carbon Trading Scenario-based Finance", and landed projects of Sustainability-linked Loan. These efforts provided enterprises with a package of financial services catering to their diverse financing needs relating to low-carbon transformation, thereby contributing to the attainment of China's "dual carbon" goals.

2. Green finance performance

The Bank stepped up support for green finance through more credit resource allocation and enriched product spectrum, realizing fast growth in business such as green credit and green bond. As at the end of the reporting period, the balance of green loans amounted to RMB313,762 million, an increase of RMB114,472 million or 57.44% over the prior year-end. Specifically, loans to the clean energy sector stood at RMB62,945 million, an increase of RMB31,787 million or 102.02%, faster than the Bank's average loan growth rate from the end of the previous year. The Bank actively underwrote green bonds to support eco-friendly and low-carbon enterprises in gaining access to direct financing, supported 14 market entities to issue 21 green bonds with a cumulative underwriting volume of RMB8,127 million, and helped enterprises in the industries of new energy vehicles, clean energy power generation, and green livestock farming to obtain direct financing of RMB36,960 million.

Column 4: Leveraging CEB's capabilities to excel in the area of green finance

The Bank is fully committed to China's "dual carbon" goals, aiming to enrich its green finance products, enhance the quality and effectiveness of its green finance services, and create brand value for its green finance initiatives, actively working to build a "Green Everbright".

I. Strengthening the top-level design to fully implement the green development philosophy

The Bank decided to vigorously develop green finance, support the development of green, low-carbon, and circular economy, and provide investment and financing support for the carbon peak and carbon neutrality goals in a market-oriented manner, so as to ensure that the growth rate of green financing is not lower than the average of the Bank. CEB diligently implemented regulatory policies, improved the green finance management work mechanism, and has developed the *Medium-Term Action Plan for Advancing Carbon Peak, Carbon Neutrality and Green Finance*, the *Plan for Improving Green Finance, Environment and Climate Risk Management*, and the *Management Measures for Green Finance*. Focusing on key areas of green finance such as clean energy, energy conservation and environmental protection, ecological environment, and green upgrades of infrastructure, the Bank broadened financing channels to contribute to the attainment of "dual carbon" goals.

II. Innovating service modes and product types to continuously expand business scale

The Bank innovated industrial chain financial service modes, launched the mode of "Carbon Trading Scenario-based Finance" as well as innovative credit products such as carbon emission right mortgage loan and forest right mortgage loan, and provided enterprises with a package of financial services catering to their diverse financing needs relating to low-carbon transformation. The Bank innovated green product types, successfully implemented several first-of-its-kind projects, and explored green financial products suitable for the Yangtze River Delta integrated region. It issued the first Sustainability-linked Loan, and underwrote the market's first green ABCP (asset-backed commercial paper) backed by toll revenue right (carbon neutrality bonds), the first dual-labeled bond featuring tech innovation and green finance, and the first green rural revitalization note. It strengthened the standardized management of key products by introducing management policies for forest right mortgage loan and distributed solar photovoltaic loan, thereby promoting the flow of credit funds towards green industries.

III. Advancing technological empowerment to strengthen ESG risk management

The Bank enhanced green credit classification management by developing automated tools for green financing identification and environmental benefit estimation, which are integrated into customer management system, credit management system, and their mobile applications, in a bid to improve the accuracy, comprehensiveness, and convenience of green credit classification. By consolidating various green classification standards and issuing a classification manual for green investment and financing, the Bank standardized the process for green labeling and classification. Additionally, the Bank strengthened training programs to enhance staff's understanding and practical skills in identifying green credit classification, green financial bond project review, and environmental benefit estimation.

IV. Building the "Green Everbright" brand and image

The Bank actively cultivated the "Green Everbright" image. The article titled *CEB's Explorations and Thoughts on ESG* was featured in the *2023 China ESG Development White Paper*. The Bank was named the "2023 Green Finance Enterprise" by Caijing.com.cn and the "2023 Green Financial Service Institution" by *China Times*. The Bank also focused on improving information disclosure to enhance its ESG market evaluation, and was rated "A" in the MSCI ESG Ratings in 2023 for the first time.

Environmental and Social Responsibilities

ii. Green operation

1. Energy conservation and emission reduction policies

(1) Energy consumption reduction

In accordance with the principles of strictness and simplicity, compliance with laws, total amount control, staying practical and realistic, openness and transparency and reform deepening, the Bank has established a series of policies to reduce energy consumption, covering areas such as budget management, domestic business trips, overseas business trips, business receptions, official vehicles and conference organization. The Bank promoted the use of energy-saving products with a focus on new energy and renewable energy, and obsoleted facilities and equipment with high energy consumption. The Bank proactively used water-saving appliances for energy-saving transformation, and recycled waste materials in a centralized manner for cyclic utilization.

(2) Green office practices

The Bank formulated the *Eight Initiatives for Actively Building a "Green Everbright" through Green Office and Green Life Practices*, and *the Management Measures for Video Conference System (2023 Edition)* to advocate green office practices. By setting standards for the use of water, electricity and other resources, energy conservation and emission reduction were incorporated into daily management. The Bank established a waste material classification and recycling system, optimized the allocation of electricity for lighting and air conditioning in office areas, enhanced employees' awareness and sense of responsibility for conservation, encouraging them to consciously save water, paper and electricity at work.

2. Energy conservation and consumption reduction measures

(1) Enhancing employees' environmental awareness

The Bank promoted waste classification by updating bin labels and adding detailed sorting instructions to remind employees to sort waste correctly. The Bank encouraged employees to develop a strong awareness for energy conservation and environmental protection in their daily life or work, consciously perform waste sorting, and save water, electricity and paper, in an effort to foster a green office environment.

(2) Strengthening water and electricity management

The Bank installed motion sensor faucets in office buildings to prevent water taps from being left running, replaced some halogen fixtures with LED energy-saving lights and night-time lighting controls, encouraged the use of natural lighting to reduce the use of artificial lighting during the day, and persisted in carrying out daily patrols to ensure that office devices are all turned off and disconnected from power after work hours.

(3) Replacing traditional paper with digitalized versions

The Bank standardized meeting processes to reduce meeting frequency, advocated doing video conferencing to decrease consumption of resources used in physical meetings, and promoted digitalized office practices to reduce the use of paper.

(4) Collecting statistical data of carbon emissions

The Bank completed the inventory of carbon emissions by collecting the annual energy data of its domestic branches and outlets, identified key energy consumption institutions, explored new approach to managing energy, and promoted collaborative efficiency in the reduction of pollution and carbon emissions.

(5) Encouraging green travel

The Bank encouraged employees to adopt green travel methods such as walking, cycling and taking public transport to reduce carbon footprints, prioritized the use of low-carbon transport options for business trips, and encouraged the use of video conferencing and other remote working technologies to reduce travel frequency and lower carbon emissions.

ii. Environmental and climate risk management

1. Risk management policy

The Bank highly valued ESG risk management, formulated the *Environmental, Social and Governance Risk Management Policy*, incorporated ESG risk into the comprehensive risk management system, and adhered to basic principles of full coverage, category-specific management and whole-process management. The Bank proactively built a framework for ESG risk management, and defined organizational structure and responsibilities for risk management. The Bank established category-specific management standards, and strictly implemented the "one-vote veto system" for customers with major ESG risks. The Bank standardized the management process, incorporated ESG risk management requirements into all links in credit business such as due diligence, review & approval and post-lending management, and strictly exerted whole-process control.

2. Risk management measures

The Bank strengthened the review of environmental and climate risks, and carefully managed credit access for green projects to prevent problems such as capital idling and "green washing". The Bank strengthened whole-process management for customers' ESG risks, launched ESG risk modules in the management system, and added ESG risk identification, assessment and management to business links including pre-lending examination, review & approval, contract management, loan granting review and post-lending management. The Bank resolutely implemented the policy of reducing excess industrial capacity by enhancing management of industries with serious overcapacity, heavy energy consumption and emission, and persisted in total amount management and structural adjustment. The Bank actively supported resolving "zombie firms", and adopted credit limit management for industries with serious overcapacity and four-category management for existing customers (supporting, maintaining, reducing and eliminating).

The Bank actively put in place a work mechanism for environmental protection and pushed forward the implementation of various environmental protection measures. The Bank was not on the list of key pollutant discharging units announced by the environmental protection authority, and was not imposed any administrative penalties due to environment-related issues.

II. INFORMATION ON SOCIAL RESPONSIBILITY FULFILLMENT

i. Purpose and philosophy

The Bank formulated the *Key Points for the Environmental, Social and Governance (ESG) Work in 2023* as the specific guidelines for coordinating the ESG work of the whole Bank, facilitating full incorporation of the ESG philosophy into management and operation. The Bank defined six areas of responsibility fulfillment, including addressing climate change, upholding civil finance, enhancing client experience, creating colleague coherence, engaging in community development and advancing sound corporate governance. The Bank proposed 14 actions, including strengthening ESG management, elevating ESG influence, developing green finance, conducting low-carbon business operation, deepening inclusive finance, supporting rural revitalization, protecting financial consumer rights and interests, improving financial service accessibility, building an inclusive institution, developing diverse capabilities, coordinating public welfare actions, creating public welfare brands, perfecting corporate governance mechanisms, and tightening up business ethics management. Through planning, capacities, funding support and other measures, the Bank continuously improved the long-effect ESG governance mechanism.

ii. Consolidation of achievements in lifting people out of poverty

The Bank remained committed to ensure that poverty relief responsibilities, policies, support and oversight continue even after a county is removed from the poverty list, continuously promoted effective alignment between the consolidation of poverty alleviation outcomes and rural revitalization, maintained stable credit support policies for poverty-alleviated areas, enhanced differentiated support for counties identified as national priorities for assistance, and persisted in assistance through donations, assistance through consumption, and assistance by sending cadres to villages. As at the end of the reporting period, the balance of loans to areas that had been lifted out of poverty stood at RMB39,681 million, an increase of RMB921 million from the beginning of the year, and the balance of loans to key counties designated to receive national assistance for rural revitalization stood at RMB3,922 million, up RMB264 million, both of which met the regulatory requirements of sustained growth. The Bank has participated in and supported paired assistance and rural revitalization projects with donations totaling RMB14.7147 million, including RMB13.1 million in paired assistance donations organized by China Everbright Group and RMB1.6147 million in donation projects approved for 12 branches such as CEB Hefei, Shijiazhuang, and Chongqing Branches. Through its “Wonderful E-shopping” platform, the Bank helped 264 rural enterprises in 215 counties (including those receiving paired assistance) of 29 provinces to sell 1,258 agricultural products online, and realized a total sale of 2.6189 million items or RMB172 million, including RMB15.0837 million during the reporting period. The Bank’s 29 branches assigned a total of 202 cadres to 66 villages under paired assistance, with 76 cadres still residing in villages to offer assistance.

iii. Support for rural revitalization

The Bank formulated the *2023 Work Plan for Providing Financial Services to Comprehensively Promote Rural Revitalization and Build a Strong Agricultural Nation*, specifically making credit plans for agriculture-related loans and inclusive agriculture-related loans to increase agricultural credit supply. All agricultural credit indicators were fulfilled well. The Bank focused on supporting grain security and stable production and supply of key agricultural products. The Bank continued to carry out special marketing activities titled "Supporting Grain Security and Revitalizing Seed Industry" to vigorously support seed companies. The Bank has developed the *Three-Year Work Plan for Supporting Grain Security*, released brochures such as "Grain Security Knowledge Map" and "Handbook of All-encompassing Approach to Food", and promoted key credit products in the grain sector such as Sunshine Golden Grain Loan and Sunshine Golden Seed Loan. Continuously enriching the credit product library for rural revitalization, the Bank devised policies for agricultural guarantee loans, loans for new types of agricultural business entities, and agricultural facility loans. The Bank's branches innovated agricultural credit products with regional characteristics based on local resource endowment, which elevated the social impact of the "Sunshine Prosperous Agriculture" brand. As at the end of the reporting period, the balance of agriculture-related loans of the Bank stood at RMB450,149 million, an increase of RMB35,472 million from the beginning of the year, and the balance of inclusive agriculture-related loans stood at RMB27,674 million, an increase of RMB6,460 million or 30.45%, higher than the average growth rate of all loans of the Bank.

Agriculture-related loans

RMB 450,149 million

8.55%

Inclusive agriculture-related loans

RMB 27,674 million

30.45%

Case 10: Focusing on seed industry revitalization to ensure China's grain security

CEB Hefei Branch, adhering to the development plan and industrial layout of "Building Hefei into the Capital of Seed Industry", launched the "Special Action of Providing Financial Support to Revitalize Seed Industry" together with the Department of Agriculture and Rural Affairs of Anhui Province. The Bank actively constructed a government-bank cooperation platform, introduced differentiated supporting policies, and innovated a series of products including Sunshine Golden Seed Loan, Tongling Perch Loan, Western Anhui White Goose Loan, and Sunshine Anhui Fruit Loan, to boost the integration of industrial chains and cross-regional M&As among leading Anhui seed companies. All these efforts achieved remarkable results and garnered widespread attention and praise from media such as the State Council Information Office website and several other national media outlets, enhancing the influence of the "Sunshine Prosperous Agriculture" brand. First, CEB Hefei Branch carried out the "Special Action of Providing Financial Support to Revitalize Seed Industry". Through deepened cooperation with the government and relevant associations, CEB Hefei Branch strengthened joint efforts with seed companies across the production-supply-marketing industrial chain to facilitate the seed industry to build, consolidate, extend and empower the industrial chain. Second, CEB Hefei Branch formulated special policies. CEB Hefei Branch devised the *Special Action Plan of Providing Financial Support to Revitalize Seed Industry*, creating a collaborative work situation that promotes sound development within Anhui's seed industry through top-down and horizontal cooperation approaches. Third, CEB Hefei Branch customized service solutions. In cooperation with a star seed company in Anhui Province, CEB Hefei Branch not only formulated an M&A financing service plan based on the company's M&A strategy, but also built a seed-to-grain integration platform with this seed company at its core and launched "Beautiful Anhui" Everbright Seed Industry Loan, the Bank's first online agricultural loan project, enabling farmers to apply online for loans to buy agricultural production materials. During the reporting period, CEB Hefei Branch served more than 60 clients in the seed industry. As at the end of the reporting period, the credit scale for customers in the seed industry reached RMB2,434 million, with a loan balance of RMB1,044 million, an increase of RMB541 million or 107.55% compared to the end of the previous year.

iv. Support for people's livelihood and public-interest activities

The Bank consistently paid close attention to societal needs, actively fulfilling its social responsibilities with tangible actions to contribute to people's well-being and social harmony. The Bank focused on key areas and explored the new mode of "public welfare + finance" cooperation, initiated the "Water Cellar for Mothers – Green Villages" public welfare donation program, cared about rural education, and launched a series of courses titled "A Lesson for Rural Children". The Bank broadened the scope of its public welfare services, conducting various charity activities in terms of targeted assistance, education, flood relief and elderly care. During the reporting period, the Bank made external donations of RMB17.45 million.

v. Protection of shareholders' rights and interests

The Bank adhered to the principle of giving fair treatment for all investors, and established an independent and sound corporate governance mechanism with effective checks and balances. The shareholder's general meetings, meetings of the Board of Directors and meetings of the Board of Supervisors were convened in a lawful and compliant manner. The Bank followed relevant procedures in making major decisions, Independent Non-executive Directors supervised the compliance of material matters and issued independent opinions, and the Board of Supervisors monitored the Board of Directors, Senior Management and its members, hence effectively safeguarding the legitimate rights and interests of all shareholders, especially those of minority shareholders. The Bank's controlling shareholder and other substantial shareholders firmly complied with laws, regulations, regulatory requirements and the *Articles of Association*, properly exercised shareholders' rights through corporate governance procedures, effectively fulfilled shareholders' obligations, and maintained the Bank's independent operation. The Bank had not discovered any abuse of substantial shareholder positions which undermines the legitimate rights and interests of the Bank and other shareholders. The Bank disclosed periodic reports and other material information in a timely and fair manner, and ensured authentic, accurate, complete, concise, clear and understandable information disclosure, so as to protect all shareholders' right to know about the material matters of the Bank.

vi. Protection of consumers' rights & interests

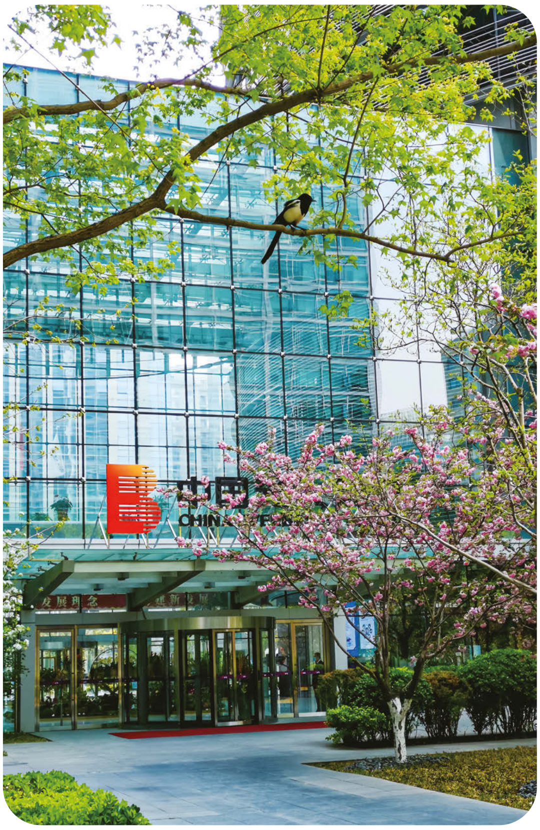
During the reporting period, the Bank diligently implemented the *Consumers' Rights and Interests Protection Management Measures for Banking and Insurance Institutions* by developing and perfecting the work mechanism for the protection of financial consumers' rights and interests. The Bank has established a comprehensive consumer protection work system, taking "responsible consumer protection", "cultural consumer protection" and "smart consumer protection" as main pathways to promote high-quality development in consumer protection work. Directors, Supervisors, and Senior Management actively fulfilled their duties, regularly reviewing and deliberating on consumer protection work and providing guidance for its implementation. The Bank implemented multiple measures synchronically to strengthen knowledge popularization and publicity, including launching the 2023 "Sunshine Consumer Protection As Your Companion" themed education and publicity campaign, released reports on the protection of financial consumer rights in beautiful rural China and reports on elderly-friendly services, and completed the construction of 12 rural financial education bases, of which 5 bases were newly built during the reporting period, reaching customers 367 million person-times through educational publicity. The Bank vigorously fostered a culture of consumer protection by hosting the second "Sunshine Consumer Protection" cultural season activities and the "Cultural Consumer Protection Contest" to disseminate consumer protection culture through calligraphy, drawings and other forms. The Bank accelerated digital transformation for consumer protection, explored the application of big data and artificial intelligence technologies in consumer protection, continuously upgraded the consumer protection review system, and developed the complaint management and analysis system and the comprehensive consumer protection whole-process control system. The Bank consistently enhanced the service level of its branches, actively integrated into the construction of an elderly-friendly society, and ensured fair access to financial services for the disabled and other disadvantaged communities. CEB Beijing Branch Wangjingxi Sub-branch and CEB Taiyuan Branch Xinjianlu Sub-branch were recognized on the list of "Top 100 Model Units for Civilized and Standardized Service in Banking Outlets" by China Banking Association. During the reporting period, CEB handled 414,109 consumer complaints. By region, the highest complaint volumes were concentrated in Beijing Municipality, Guangdong Province and Henan Province, and by business segment, the highest volumes were concentrated in bank cards (76.93%), debt collection (13.11%) and loan business (5.52%).

vii. Protection of employees' rights and interests

The Bank adopted multiple measures to improve staff's compensation and benefits, gave full play to the incentive of remuneration and benefits, and encouraged employees to serve long term. The Bank adopted attendance and leave management while taking both humanity and fairness into consideration. The Bank ensured that employees enjoy statutory public holidays and paid leaves, and encouraged them to make reasonable work arrangements. The Bank actively implemented the national maternity policy, ensuring that employees are entitled to leave and enjoy welfare that conforms to the policy. Furthermore, the Bank extended its multi-pillar endowment system by introducing a supplementary endowment insurance (enterprise annuity system) apart from participating in the basic pension scheme in accordance with law. The Bank established the supplementary medical insurance system and upgraded medical support to fully meet employees' individual needs for medical support.

The Bank ensured smooth channels for employees' democratic participation and supervision, convened the employee representative meeting and labor union member representative meeting of the Bank in a standardized manner, and continued to improve democratic management system whose basic form is the employee representative meeting. The Bank selected employees with professional abilities to participate in the enterprise annuity investment decision-making, elected employee supervisors to partake in enterprise management, and made effective efforts to safeguard employees' legitimate rights and interests. The Bank mediated labor disputes in a timely manner to promote the building of a harmonious Everbright culture. The Bank organized labor and skill contests extensively and thoroughly, gave play to the leading role of labor models, encouraged and prompted the entire staff to base on their own positions, study intensively, improve skills and strengthen practices, discovered and cultivated high-quality professionals, and supported employees' personal development and career growth. The Bank perfected and refined a support and care system for employees, made solid strides in advancing regular work in a precious manner such as "Warm Care for the 'Double Festivals'" and "Sunshine Care Fund", creating a layered support and care service system with a clear hierarchy, specific focuses and organic links. The Bank attached great importance to employee' physical and mental health, optimized and upgraded the "Green Service Channel for Medical Treatment Appointment" and "Comfort Plan for Psychological Health Counseling" services to solve problems for employees and their family members such as difficult appointment of medical services, inadequate medical services, and psychological and emotional distress. The Bank enriched employees' spiritual and cultural life by organizing various cultural and sports activities such as reading, brisk walking, audio-visual activities, badminton tournaments, chess & card competitions and popular science lectures, thus creating a warm, harmonious, joyful and healthy corporate environment to elevate their sense of happiness and satisfaction.

III. GOVERNANCE INFORMATION



The Bank established a sound corporate governance and ESG governance structure with the shareholders' general meetings as the organ of power, the Board of Directors as the decision-making organ, the Board of Supervisors as the supervisory organ and the Senior Management as the executive organ, and an ESG structure consisting of three layers including decision-making, management and execution with the Board of Directors as the decision-making layer, the Social Responsibility/Inclusive Finance Management Committee of the Bank as the management layer and relevant units as the execution layer.

The Board of Directors actively performed its duties in the strategic deployment, decision-making and guidance of ESG work. In March 2023, as approved by the 6th Meeting of the Ninth Session of the Board of Directors of the Bank, the Inclusive Finance Development and Consumer Rights and Interests Protection Committee was renamed the Social Responsibility, Inclusive Finance Development and Consumer Rights and Interests Protection Committee, with newly-added duties relating to social responsibilities. The Board of Directors and its committees reviewed the work report on carbon peak, carbon neutrality and green finance, emphasizing the needs to improve the regular working mechanism for green finance and enhance resource allocation to better coordinate all green finance businesses. They reviewed and approved the *Proposal on Supporting Paired Assistance Through Donations* to help consolidate the achievements of the fight against poverty. They reviewed the proposals related to consumer protection work, listened to the analyses on complaint situations and the reports of typical cases. They conducted special audits on consumer protection work, urging rectification of the issues identified by auditors. They focused on the development and application of elderly-friendly technologies to actively address the difficulties faced by the elderly with smart technologies, revised the *Management Measures for Green Finance Work*, stepped up support for building a green, low-carbon and circular economy in business development, fended off ESG risks, and enhanced ESG performance.

The Senior Management of the Bank promoted the bank-wide fulfillment of environmental and social responsibilities in a coordinated manner, with multiple committees and working groups established to oversee various ESG-related tasks, ensuring the effective implementation of a series of plans in the social responsibility and ESG domain. In environmental dimension, the Senior Management reviewed and approved four proposals related to green finance, carbon peak & carbon neutrality, and environmental and climate risk management. In social dimension, 51 proposals were reviewed and approved, covering topics such as serving the real economy, advanced manufacturing, "SRDI (Specialized, Refined, Distinctive and Innovative)" firms & sci-tech innovation enterprises, consumer rights and interests protection, rural revitalization, paired assistance donations, and data security. In governance dimension, 42 proposals were reviewed and approved, including the company's *Articles of Association*, internal control & compliance, employee Code of Conduct, related party transactions and internal audit.

See "Corporate Governance" for details about corporate governance.

IV. OTHER INFORMATION

The Bank has disclosed the full text of its *2023 Corporate Social Responsibility Report (ESG Report)* on the websites of SSE, HKEXnews and the Bank. Please refer to the report for more details on environmental and social responsibilities.

Significant Events

I. FORMULATION AND IMPLEMENTATION OF PROFIT DISTRIBUTION POLICY

i. Profit distribution policy

The profit distribution principles, specific policies and consideration procedures are stipulated in the *Articles of Association* of the Bank. In accordance with the *2022-2024 Plan for Shareholder Returns* of the Bank, the Bank shall prioritize cash dividends in profit distribution. Except in special circumstances, the profit to be distributed in cash each year shall be no less than 20% of the distributable profit for the year when the profit for the year and the accumulated undistributed profit are both positive.

ii. Profit distribution plan for 2023

According to the audited 2023 financial statements, the net profit attributable to shareholders of the Bank in the consolidated statement registered RMB40,792 million, the net profit in the financial statement of the parent company registered RMB37,287 million, and the undistributed profit as at the end of the reporting period in the financial statement of the parent company registered RMB190,480 million. Of these, after deducting the total dividends of RMB2,971 million for preference shares (Everbright P1, Everbright P2 and Everbright P3) in 2023 and the interest of RMB1,840 million on perpetual bonds, the Bank registered RMB35,981 million of net profit attributable to ordinary shareholders in the consolidated statement, of which net profit available for distribution to ordinary shareholders was RMB32,476 million.

Taking into account the interests of all shareholders, the sustainable development of the Bank's business and the regulatory requirements on capital adequacy ratios, pursuant to the *Company Law of the People's Republic of China, Securities Law of the People's Republic of China* and relevant regulations stipulated in the *Articles of Association* and the *2022-2024 Plan for Shareholder Returns* of the Bank, the Bank hereby formulates its 2023 profit distribution plan as follows:

1. As at the end of the reporting period, the Bank had cumulatively appropriated statutory surplus reserves of RMB26,245 million, which had reached 50% of the Bank's registered capital. Therefore, according to the *Company Law of the People's Republic of China*, the Bank does not need to appropriate any statutory surplus reserve this time.

2. According to the *Management Measures for Provision of Reserves by Financial Institutions* promulgated by MOF, the Bank appropriated RMB4,397 million of general reserves to bring the ratio of general reserves to the balance of risk-taking assets as at the end of the reporting period up to 1.5%.

3. Cash dividends were distributed to all shareholders of ordinary shares at RMB1.73 (before tax) per 10 shares. Based on the Bank's share capital of 59,086 million as at the disclosure date of this report, the total cash dividends amounted to RMB10,222 million, accounting for 25.06% of the net profit attributable to shareholders of the Bank on a consolidated basis and 28.41% of the net profit attributable to ordinary shareholders of the Bank on a consolidated basis. The cash dividends were denominated and declared in RMB, paid to shareholders of A shares in RMB and paid to shareholders of H shares in HKD. The actual amount paid in HKD shall be calculated based on the average benchmark exchange rate of RMB against HKD announced by PBOC one week prior to the shareholders' general meeting (inclusive of the date of the shareholders' general meeting).

4. For this year, the Bank did not implement capitalization of capital reserve funds.

5. The retained undistributed profits will be used to replenish capital in order to meet the regulatory requirements for capital adequacy ratios.

The above profit distribution plan is subject to consideration and approval at the 2023 Annual General Meeting.

In the profit distribution plan for 2023, no adjustment or amendment was made to the existing cash dividend policy of the Bank. This profit distribution plan complies with the *Articles of Association* of the Bank, reflecting clear and definite standards and proportions for dividend distribution as well as complete decision-making procedures and mechanisms. The Board of Directors and the Board of Supervisors discussed and considered the profit distribution plan, and Independent Non-executive Directors expressed independent opinions, effectively safeguarding the legitimate rights and interests of minority shareholders. The above profit distribution plan will be submitted to the Annual General Meeting where all ordinary shareholders including minority shareholders have the right to participate and express their opinions and appeals. The Annual General Meeting of the Bank shall allow online voting, and the votes of minority shareholders in relation to the profit distribution plan shall be counted separately so as to fully protect the legitimate rights and interests of minority shareholders.

The tax deductions concerning profit distribution of the Bank for the year shall be carried out in accordance with relevant regulations, which will be specified in the announcement of dividend distribution.

iii. Profit distribution of ordinary shares and cash dividends for the last three years

Unit: RMB million, %

Item	2023	2022	2021
Cash dividends	102.22	112.26	108.60
Proportion to net profit attributable to shareholders of the Bank in the consolidated statement	25.06	25.05	25.02
Proportion to net profit attributable to ordinary shareholders of the Bank in the consolidated statement	28.41	28.07	28.13

II. IMPORTANT UNDERTAKINGS AND PERFORMANCE OF UNDERTAKINGS GIVEN BY THE BANK AND THE BANK'S DE FACTO CONTROLLER, SHAREHOLDERS AND OTHER RELATED PARTIES

Pursuant to the relevant provisions of the CSRC, to ensure that the Bank effectively implements compensation measures for potential dilution in relation to the issuance of preference shares, all Directors and Senior Management of the Bank promised to faithfully and diligently perform their duties, safeguard the legitimate rights and interests of the Bank and all shareholders, and made the following commitments:

1. They shall neither transfer interests to other entities or individuals for free or in an unfair way, nor jeopardize the interests of the Bank by other means.

2. They shall be thrifty, their position-related consumption shall be under restriction in strict compliance with relevant requirements at the national, local and Bank level, and they shall refrain from over-consumption, extravagance and waste.

3. They shall never embezzle the Bank's assets for any investment or consumption activities irrelevant to the performance of their duties.

4. They shall try to propel the Board of Directors or the Remuneration Committee under the Board to formulate remuneration policies which are linked to the implementation of the Bank's compensation measures for potential dilution.

5. If the Bank launches any equity incentive scheme in the future, the conditions for exercising its rights under the intended equity incentive scheme shall be linked to the implementation of the Bank's compensation measures for potential dilution.

As at the end of the reporting period, there occurred no violation of the above-mentioned commitments by the Directors and Senior Management of the Bank.

As far as the Bank was aware, no material undertakings other than the above-mentioned matters were given by the Bank, the Bank's other shareholders, Directors, Supervisors, Senior Management or other related parties.

III. RESERVE

Please refer to "Consolidated Statement of Changes in Equity" for details about the reserve change of the Bank.

IV. FIXED ASSETS

Please refer to "Notes to Consolidated Financial Statements" for details about the changes in fixed assets of the Bank as at the end of the reporting period.

V. PURCHASE, SALE OR REDEMPTION OF THE BANK'S LISTED SECURITIES

Saved as disclosed in this Report, the Bank and its subsidiaries did not purchase, sell or redeem any listed securities of the Bank.

VI. PRE-EMPTIVE RIGHTS

The *Articles of Association* of the Bank does not make provisions on pre-emptive rights, and the shareholders of the Bank have not been granted any pre-emptive right.

VII. RETIREMENT AND BENEFITS

Please refer to "Notes to Consolidated Financial Statements" for details about retirement and the benefits provided by the Bank for its employees.

VIII. RELATIONS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Bank insisted on the staff-centered development philosophy. Please refer to "Environmental and Social Responsibilities" and "Directors, Supervisors, Senior Management, Staff and Business Outlets" for details about staff training, management and remuneration policies.

The Bank attached importance to the selection of suppliers, persisted in centralized procurement according to the rules and regulations of the Bank, encouraged fair and open competition, and established long-term cooperative relationships with high-quality suppliers based on the principle of mutual trust.

Adhering to the principle of honesty and trustworthiness, the Bank dedicated to providing high-quality financial services to customers and improved consumer protection work. Please refer to "Environmental and Social Responsibilities" for details.

During the reporting period, there was no material dispute between the Bank and its employees, suppliers or customers.

IX. MAJOR CUSTOMERS

As at the end of the reporting period, the operating income contributed by the top five customers of the Bank did not exceed 30% of the Bank's operating income.

X. USE OF CAPITAL BY THE CONTROLLING SHAREHOLDER AND OTHER RELATED PARTIES FOR NON-OPERATING PURPOSES

There was no non-operational capital occupation by the controlling shareholder and other related parties of the Bank. EY Hua Ming has issued a special auditor's opinion on it. The special auditor's opinion was disclosed in public on the websites of SSE, HKEXnews and the Bank.

XI. CHANGES IN ACCOUNTING POLICIES

There was no change in accounting policies of the Bank during the reporting period.

XII. APPOINTMENT AND RESIGNATION OF ACCOUNTING FIRMS

i. Appointment of accounting firms for auditing financial statements

On 21 June 2023, the Bank convened the 2022 Annual General Meeting, deciding to engage EY Hua Ming as the accounting firm in charge of the Bank's domestic audit for 2023 (Xu Xuming and Hong Xiaodong acted as the certified public accountants for signature. Xu Xuming, also the audit project partner, had provided audit services for the Bank for four consecutive years. Hong Xiaodong had provided audit services for the Bank for eight consecutive years), and EY as the accounting firm in charge of the Bank's overseas audit for 2023 (Ng Chi Keung acted as the certified public accountant for signature. Ng Chi Keung, also the audit project partner, had provided audit services for the Bank for two consecutive years). The audit fees paid to the two firms amounted to RMB9.00 million (inclusive of reimbursement and value-added tax). Both of the two accounting firms had provided audit services for the Bank for eight consecutive years. During the reporting period, the non-audit fees paid by the Bank to EY Hua Ming and its member institutions amounted to RMB16.194 million, and both EY Hua Ming and EY confirmed that such non-audit businesses would not impair auditor independence.

ii. Engagement of accounting firm for annual internal control audit

On 21 June 2023, the Bank convened the 2022 Annual General Meeting, deciding to engage EY Hua Ming as its internal control auditor for 2023, and the audit fees paid to this firm stood at RMB0.9 million (inclusive of reimbursement of out-of-pocket expenses and value-added taxes).

iii. Appointment of new accounting firms

On 6 February 2024, the Bank convened the 14th Meeting of the Ninth Session of the Board of Directors of the Bank, agreeing to engage KPMG Huazhen LLP as the accounting firm in charge of the Bank's domestic audit for 2024 and KPMG as the accounting firm in charge of the Bank's overseas audit for 2024. The audit fees paid to the two firms amounted to RMB8.37 million (inclusive of reimbursement and value-added tax), including RMB7.67 million of financial statement audit fees and RMB0.7 million of internal control audit fees. Both of the two accounting firms have provided audit services for the Bank for seven consecutive years. The reason for changing accounting firms is that the former accounting firms had served the Bank for eight consecutive years after finishing the audit work for 2023, reaching the longest consecutive years of service stipulated by MOF. This matter is still pending consideration by the Annual General Meeting.

iv. The Audit Committee of the Board of Directors of the Bank has no different opinion on the engagement of the accounting firm.

XIII. MATTERS CONCERNING BANKRUPTCY OR REORGANIZATION

During the reporting period, no bankruptcy or reorganization took place at the Bank.

XIV. MATERIAL LITIGATION AND ARBITRATION MATTERS

The Bank was involved in some litigation and arbitration cases during its ordinary and usual course of business, most of which were initiated by the Bank for the purpose of recovering NPLs. During the reporting period, the Bank was not involved in any major sued litigation and arbitration cases. As at the end of the reporting period, the Bank was involved in 370 sued litigation and arbitration cases pending final judgment, which involved about RMB665 million. The above litigation and arbitration cases would not have any significant adverse impact on the financial position or operating performance of the Bank.

XV. PENALTY IMPOSED ON THE BANK OR ITS CONTROLLING SHAREHOLDER, DE FACTO CONTROLLER, DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

i. During the reporting period, the Bank was not investigated for suspected crimes according to law, and none of its controlling shareholder, de facto controller, Directors, Supervisors and Senior Management was suspected of committing crimes or subject to any compulsory measures taken according to law.

ii. During the reporting period, the Bank, the Bank's controlling shareholder, de facto controller, Directors, Supervisors or Senior Management were not subject to any criminal punishment, investigation by CSRC for suspected violation of laws and regulations, administrative penalty by CSRC, or material administrative penalty by other competent authorities.

iii. During the reporting period, none of the Bank's controlling shareholder, de facto controller, Directors, Supervisors or Senior Management was detained by the disciplinary inspection and supervision authorities for suspected serious disciplinary violations or duty-related crimes.

iv. During the reporting period, none of the Bank's Directors, Supervisors or Senior Management was subject to any compulsory measures taken by other competent authorities for suspected violation of laws and regulations.

v. During the reporting period, the Bank, the Bank's controlling shareholder, de facto controller, Directors, Supervisors or Senior Management were not subject to any administrative regulatory measures taken by CSRC, or disciplinary actions taken by any stock exchange.

XVI. CREDIBILITY OF THE BANK, ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

During the reporting period, the Bank, the Bank's controlling shareholder and de facto controller had neither unfulfilled obligations specified in effective court judgments nor unpaid significant matured debts.

XVII. MATTERS CONCERNING CONNECTED TRANSACTIONS OF THE BANK UNDER THE *HONG KONG LISTING RULES*

In accordance with the *Hong Kong Listing Rules*, the transactions between the Bank and its connected persons (as defined in the *Hong Kong Listing Rules*) constitute connected transactions of the Bank. The Bank has monitored and managed these connected transactions in accordance with the *Hong Kong Listing Rules*.

Details on the related party relationships and transactions of the Bank occurred in the year ended on 31 December 2023 were included in "Notes to the Consolidated Financial Statements".

Certain transactions among the above related party transactions also constitute connected transactions as prescribed in Chapter 14A of the *Hong Kong Listing Rules*, and shall be subject to reporting, annual review and announcement as required in Chapter 14A of the *Hong Kong Listing Rules*. The Bank has complied with the requirements in Chapter 14A of the *Hong Kong Listing Rules* in respect of such related party transactions, specifically:

The connected transactions disclosed below constitute connected transactions or continuing connected transactions as prescribed in Chapter 14A of the *Hong Kong Listing Rules* and meet relevant disclosure requirements. In respect of the following connected transactions, Directors confirmed that the Bank had complied with the disclosure requirements prescribed in Chapter 14A of the *Hong Kong Listing Rules*. For details, please refer to the Bank's announcements disclosed on the websites of the HKEXnews and the Bank.

i. Non-exempt connected transactions

1. Continuing connected transactions

(1) Acceptance of technology service provided by connected legal person

On 24 December 2020, the Bank entered into an agreement with Everbright Technology Co., Ltd. (Everbright Technology), valid from 1 January 2021 to 31 December 2023 (both dates inclusive), pursuant to which Everbright Technology agreed to provide technology services for the Bank. Main terms and conditions of the agreement are as follows:

Everbright Technology provides the Bank with technology services in the mature technology field, the emerging technology field and the human resources outsourcing field. The agreement is valid from 1 January 2021 to 31 December 2023 (both dates inclusive), and the total transaction amount shall not exceed RMB400 million, RMB500 million and RMB600 million as at 31 December 2021, 31 December 2022 and 31 December 2023, respectively. The consideration adopts an appropriate, reasonable and fair calculation method, and will be paid with the Bank's self-owned funds in accordance with the specific agreement.

Everbright Technology is a wholly-owned subsidiary of CEG, the Bank's controlling shareholder, and thus constitutes a connected person of the Bank according to the *Hong Kong Listing Rules*.

During the reporting period, the annual cap of such continuing connected transactions for 2023 was RMB600 million, and the amount actually incurred was RMB256 million.

(2) Mutual provision of services or products between connected legal persons

On 15 December 2021, the Bank and CEG entered into a comprehensive service framework agreement, valid from 15 December 2021 to 31 December 2023 (both dates inclusive), pursuant to which services or products can be provided for each other between the Bank and CEG or CEG's associates or both. Main terms and conditions of the agreement are as follows:

CEG or CEG's associates or both provide the Bank with product management services, comprehensive services, sale of supplementary medical insurance, technology services, joint marketing services, cloud fee payment services, channel business services and securitization product investment services, and the Bank provides asset custody services, agency sales services, comprehensive services and securitization product investment services for CEG or CEG's associates or both. The services or products provided for each other under the above-mentioned comprehensive service framework agreement are priced in a market-oriented manner to ensure that pricing is subject to the principle that the terms are not less favorable than those an independent third party can obtain from the Bank or provide for the Bank.

CEG is the controlling shareholder of the Bank. Therefore, CEG constitutes a connected person of the Bank under the *Hong Kong Listing Rules*.

On 22 May 2023, the Bank and CEG entered into a supplementary agreement to the comprehensive service framework agreement to revise the annual caps of comprehensive services and joint marketing services provided by CEG or CEG's associates to the Bank in the year ended on 31 December 2023.

During the reporting period, the annual caps and the actual amounts incurred of services or products provided for each other between the Bank and CEG or CEG's associates or both under the comprehensive service framework agreement are as follows:

Unit: RMB100 million

Transaction type	Annual cap	Actual amount incurred
Services provided by CEG and/or CEG's connected persons for the Bank		
Product management services	5.73	1.86
Comprehensive services	9.09	2.94
Supplementary medical insurance	1.9845	1.98
Technology services	6.6	2.59
Joint marketing services	11.66	6.54
Service fee expenditures	1.5	1.48
Channel business services	4.5	1.25
Securitization product investment services	12.75	1.36
Services provided by the Bank for CEG and/or CEG's connected persons		
Asset custody services	4	3.36
Agency sales services	17.04	13.12
Comprehensive services	1.15	1.1485
Securitization product investment services	0.69	0.69

(3) Verification of transaction limits for connected legal persons to acquire the Bank's non-performing assets

On 30 June 2023, the Bank entered into an agreement with Everbright Jinou Asset Management Co., Ltd. ("Everbright Jinou"), and the Bank agreed to verify an accumulative transaction limit of RMB1.5 billion for Everbright Jinou to acquire the Bank's non-performing assets. A single transaction under the limit shall not exceed RMB1.5 billion, and the limit shall be valid for one year from 30 June 2023 to 30 June 2024 (both dates inclusive). Main terms and conditions of the agreement are as follows:

Under the premise of reasonable pricing and valuation, Everbright Jinou may acquire non-performing assets of the Bank for commercial purposes.

Everbright Jinou is a subsidiary of CEG, the Bank's controlling shareholder, and thus constitutes a connected person of the Bank under the *Hong Kong Listing Rules*.

During the reporting period, there occurred no such type of transaction.

2. Confirmations by Independent Non-executive Directors

Independent Non-executive Directors of the Bank had reviewed the above continuing connected transactions, and confirmed that the transactions are:

(1) conducted in the ordinary and usual course of business of the Bank;

(2) conducted on normal commercial terms or better. If the transactions available for comparison are not sufficient to determine whether the terms of such transactions are normal commercial terms, the terms of such transactions are not less favorable than those an independent third party can obtain from the Bank or provide for the Bank; and

(3) conducted in accordance with relevant transaction agreements with fair and reasonable terms, and in line with the overall interests of shareholders of the Bank.

3. Confirmations by auditors

The Bank had engaged an external auditor to report on the continuing connected transactions of the Bank in compliance with the *Hong Kong Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued by the Hong Kong Institute of Certified Public Accountants, and with reference to the *Practice Note 740* Auditor's Letter on Continuing Connected Transactions under the *Hong Kong Listing Rules*. The auditor had issued an unqualified opinion letter containing the assurance results of the above continuing connected transactions in accordance with Rule 14A.56 of the *Hong Kong Listing Rules*.

Based on the work carried out, the auditor of the Bank had provided a letter to the Board of Directors of the Bank and confirmed that, with respect to the disclosed continuing connected transactions mentioned above:

(1) nothing had come to their attention that might cause them to believe that the disclosed continuing connected transactions had not been approved by the Board of Directors of the Bank.

(2) nothing had come to their attention that might cause them to believe that the continuing connected transactions conducted by the Bank, in all material respects, were not conducted in accordance with the pricing policies of the Bank.

(3) nothing had come to their attention that might cause them to believe that the continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions.

(4) as for the total amount of each continuing connected transaction disclosed above, nothing had come to their attention that might cause them to believe that the amount of such continuing connected transaction had exceeded the annual cap set by the Bank.

ii. Exemptible connected transactions

During the reporting period, a series of connected transactions were carried out between the Bank and its connected persons in the ordinary and usual course of business of the Bank. Pursuant to Chapter 14A of the *Hong Kong Listing Rules*, such connected transactions were exempted from reporting, annual review, announcement and independent shareholders' approval requirements.

XVIII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

i. Significant events relating to material custody, contracting or leasing of other companies' assets, or other companies' material custody, contracting or leasing of the Bank's assets

Apart from routine business, during the reporting period, there was no significant event relating to material custody, contracting or leasing of other companies' assets or other companies' material custody, contracting or leasing of the Bank's assets.

ii. Significant guarantee

The provision of guarantee is in the ordinary and usual course of business of the Bank. During the reporting period, the Bank did not enter into any significant guarantee required to be disclosed save for the guarantees within its business scope as approved by PBOC and the former CBIRC or any guarantee contract in violation of laws, administrative regulations and the resolution procedures for external guarantee stipulated by CSRC.

iii. Explanatory notes and independent opinion of Independent Non-executive Directors concerning the provision of external guarantees by the Bank

In accordance with relevant regulations and requirements of the *Regulatory Guidelines for Listed Companies No. 8 – Regulatory Requirements for Capital Transactions and External Guarantees of Listed Companies* (CSRC announcement [2022] No. 26), Independent Non-executive Directors of the Bank reviewed the external guarantees provided by the Bank on a just, fair and objective basis, and issued an opinion as follows:

It was verified that the provision of external guarantee is one of the routine operations of the Bank, which has been approved by PBOC and the former CBIRC. As at the end of the reporting period, the Bank had a guarantee outstanding for the RMB180 million payable interests of financial bonds issued by CEG, backed by a counter-guarantee provided by CEG with the 67.5 million shares it held in a large securities firm. Save as disclosed, for the balance of the guarantee business of the Bank, please refer to the "Notes to the Consolidated Financial Statements".

Attaching importance to risk management of guarantee business, the Bank formulated specific business management measures and operating procedures, and effectively monitored and forestalled risks in the guarantee business by on-site and off-site inspections. During the reporting period, this business was in the ordinary and usual course and no violation of the above-mentioned regulations took place at the Bank.

iv. Significant authorization relating to wealth management

During the reporting period, there was no authorization relating to wealth management beyond the scope of routine operations.

v. Other material contracts

During the reporting period, all contracts regarding routine operations were duly performed and there was no other material contract.

XIX. USE OF RAISED PROCEEDS

All the proceeds raised by the Bank in history were used for the purposes disclosed in prospectuses, offering circulars and other documents. The proceeds were used to replenish the Bank's capital, increase capital adequacy ratio, and support the Bank's sustainable and healthy business development.

During the reporting period, the Bank issued RMB15 billion tier-2 capital notes with two tranches. Tranche I bonds are 10-year fixed-rate notes of RMB10 billion at a coupon rate of 3.55%, with the issuer having conditional redemption right at the end of the fifth year. Tranche II bonds are 15-year fixed-rate notes of RMB5 billion at a coupon rate of 3.64%, with the issuer having conditional redemption right at the end of the tenth year. The proceeds were used to replenish the Bank's tier-2 capital.

XX. OTHER SIGNIFICANT EVENTS

i. Delisting of convertible bonds upon maturity

The RMB30 billion A-share convertible bonds issued by the Bank in March 2017 were matured on 16 March 2023 and delisted on 17 March 2023. An accumulated amount of RMB22,731 million was converted to 6,596,456,061 shares, and RMB7,633 million was redeemed upon maturity. The proceeds from Everbright Convertible Bonds were used for the Bank's business development. The conversion funds supplemented the Bank's common equity tier-1 capital, enhancing the capital strength of the Bank.

ii. Changes in substantial shareholders

In March 2023, the former China Huarong Asset Management Co., Ltd. ("China Huarong") converted the 140,186,860 convertible bonds it held at the Bank into ordinary A shares of the Bank by exercising the conversion option. The number of shares converted was 4,184,682,388. Before this conversion, the former China Huarong did not hold any ordinary share of the Bank. After this conversion, the former China Huarong held 4,184,682,388 ordinary A shares of the Bank, accounting for 7.08% of the total, and thus became a substantial shareholders of the Bank.

iii. Business opening of CEB Macao Branch

In July 2022, the establishment of CEB Macao Branch was approved by the government of the Macao SAR. In March 2023, CEB Macao Branch was opened for business.

XXI. SIGNIFICANT EVENTS OF SUBSIDIARIES

i. Everbright Financial Leasing Co., Ltd.

In August 2023, the company distributed cash dividends of RMB200 million to all shareholders. During the reporting period, the company was not involved in any material litigation or arbitration, acquisition and disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or material penalty. It engaged EY Hua Ming to audit its annual financial report.

ii. Everbright Wealth Management Co., Ltd.

During the reporting period, the company did not make profit distribution and was not involved in any material litigation or arbitration, acquisition and disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or material penalty. It engaged EY Hua Ming to audit its annual financial report.

iii. Beijing Sunshine Consumer Finance Co., Ltd.

During the reporting period, the company did not make profit distribution and was not involved in any material litigation or arbitration, acquisition and disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or material penalty. It engaged EY Hua Ming to audit its annual financial report.

iv. CEB International Investment Corporation Limited

During the reporting period, the company did not make profit distribution and was not involved in any material litigation or arbitration, acquisition and disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or material penalty. It engaged EY to audit its financial report.

v. China Everbright Bank (Europe) S.A.

During the reporting period, the company did not make profit distribution and was not involved in any material litigation or arbitration, acquisition and disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or material penalty. It engaged EY to audit its financial report.

vi. Shaoshan Everbright Rural Bank Co., Ltd.

During the reporting period, the rural bank did not make profit distribution and was not involved in any material litigation or arbitration, acquisition and disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or material penalty. It engaged Hunan Zhengde United Accounting Firm to audit its financial report.

vii. Jiangsu Huai'an Everbright Rural Bank Co., Ltd.

During the reporting period, the rural bank did not make profit distribution and was not involved in any material litigation or arbitration, acquisition and disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or material penalty. It engaged Huai'an Huaiyu Accounting Firm to audit its annual financial report.

viii. Jiangxi Ruijin Everbright Rural Bank Co., Ltd.

During the reporting period, there was a change in equity of the rural bank. Ruijin Shitong Driver Training Co., Ltd. acquired a total of 14 million shares of the rural bank, including 7.5 million shares held by Ruijin Tiancheng Agricultural Products Co., Ltd., and 6.5 million shares held by Ruijin Green Fairyland Forestry Co., Ltd. In October 2023, the rural bank distributed cash dividends of RMB2.4865 million to all shareholders. The rural bank was not involved in any material litigation or arbitration, acquisition and disposal of major assets, material related party transaction, material contract, judicial or administrative investigation or material penalty. It engaged Ganzhou Zhonghao Accounting Firm to audit its annual financial report.

XXII. PROFESSIONAL LIABILITY INSURANCE FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the reporting period, the Bank established a professional liability insurance system for Directors, Supervisors and Senior Management in accordance with relevant laws, regulations and the *Articles of Association* of the Bank. The *Articles of Association* of the Bank and such professional liability insurance system set out relevant permitted indemnity provisions. Such insurance shall cover relevant liabilities of the insured parties and indemnify relevant fees resulted from possible litigation in accordance with the provisions.

XXIII. SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

There occurred no significant subsequent event at the Bank.

XXIV. REVIEW OF ANNUAL RESULTS

EY Hua Ming and EY had audited the Bank's financial statements, which were prepared in accordance with the PRC GAAP and IFRS respectively, and issued a standard unqualified auditor's report. The Board of Directors and its Audit Committee had reviewed the business performance and financial statements of the Bank for the year 2023.

XXV. PUBLICATION OF ANNUAL REPORT

The Chinese and English versions of this Annual Report prepared by the Bank in accordance with the IFRS and the *Hong Kong Listing Rules*, are available at the websites of the HKEXnews and the Bank. In case of any ambiguity in the understanding of the Chinese and English versions of this Annual Report, the Chinese version shall prevail.

Changes in Ordinary Share Capital and Shareholders

I. CHANGES IN SHARES

Unit: Share, %

		31 December 2022		Changes during the reporting period	31 December 2023	
		Number of shares	Percentage	Conversion of convertible bonds	Number of shares	Percentage
I.	Shares subject to restrictions on sales	–	–	–	–	–
	Shares held by state-owned legal persons	–	–	–	–	–
II.	Shares not subject to restrictions on sales	54,031,980,091	100.00	5,053,570,970	59,085,551,061	100.00
	1. RMB-denominated ordinary shares	41,353,244,591	76.53	5,053,570,970	46,406,815,561	78.54
	2. Overseas listed foreign shares	12,678,735,500	23.47	–	12,678,735,500	21.46
III.	Total shares	54,031,980,091	100.00	5,053,570,970	59,085,551,061	100.00

II. SECURITIES ISSUANCE AND LISTING

i. During the reporting period, the Bank's convertible bonds were delisted upon maturity. A total of 5,053,570,970 A-share convertible bonds in an amount of RMB16,929,463,000 were converted to ordinary A shares of the Bank. As at the end of the reporting period, the total number of shares of the Bank stood at 59,085,551,061 shares, including 46,406,815,561 A shares and 12,678,735,500 H shares.

ii. Save for the above, there was no change in the total number of shares, shareholding structure, or assets and liabilities structure of the Bank due to bonus issue, capitalization, rights issue, new share issue, share issue to specific objects, exercise of warrants, exercise of equity incentive scheme, mergers, capital reduction, listing of employee shares, bond issue or other reasons.

iii. The Bank had no employee shares.

III. NUMBER OF SHAREHOLDERS

Unit: Shareholder

	A Shares	H Shares
Total number of shareholders as at the end of the reporting period	194,906	826
Total number of shareholders as at the end of the month prior to the disclosure date of this report	177,392	825

IV. SHAREHOLDING OF TOP TEN SHAREHOLDERS

Unit: Share, %

Name of shareholder	Nature of shareholder	Changes in the reporting period	Class of shares	Number of shares held	Shareholding percentage	Number of shares pledged/ marked/frozen
China Everbright Group Ltd.	State-owned legal person	868,403,880	A shares	24,227,813,441	41.00	–
		–	H shares	1,782,965,000	3.02	–
Hong Kong Securities Clearing Company Nominees Limited	Overseas legal person	-1,042,080	H shares	5,238,339,290	8.87	Unknown
Including: Ocean Fortune Investment Limited	Overseas legal person	–	H shares	1,605,286,000	2.72	–
Overseas Chinese Town Holdings Company	State-owned legal person	–	H shares	4,200,000,000	7.11	–
China Huarong Asset Management Co., Ltd.	State-owned legal person	4,184,682,388	A shares	4,184,682,388	7.08	–
China Everbright Limited	Overseas legal person	–	A shares	1,572,735,868	2.66	–
China Life Reinsurance Company Ltd.	State-owned legal person	–	H shares	1,530,397,000	2.59	–
China Securities Finance Corporation Limited	State-owned legal person	–	A shares	989,377,094	1.67	–
China Reinsurance (Group) Corporation	State-owned legal person	–	A shares	413,094,619	0.70	–
		–	H shares	376,393,000	0.64	–
Shenergy (Group) Co., Ltd.	State-owned legal person	–	A shares	766,002,403	1.30	–
Hong Kong Securities Clearing Company Ltd.	Overseas legal person	49,708,078	A shares	759,105,055	1.28	–

Notes:

1. As at the end of the reporting period, all ordinary shares of the Bank were not subject to restrictions on sales.

2. As at the end of the reporting period, the total number of H shares of the Bank held by the Hong Kong Securities Clearing Company Nominees Limited acting as the nominee for all institutional and individual investors that maintain an account with it was 5,238,339,290 H shares. Among them, 1,605,286,000, 282,684,000 and 172,965,000 H shares of the Bank were held by Ocean Fortune Investment Limited, China Life Reinsurance Company Ltd. and CEG, respectively. The number of remaining H shares of the Bank held under it was 3,177,404,290 H shares.

3. The Bank was aware that, as at the end of the reporting period, China Everbright Limited is a subsidiary indirectly controlled by CEG. China Life Reinsurance Company Ltd. is a wholly-owned subsidiary of China Reinsurance (Group) Corporation. COSCO Shipping (Shanghai) Investment Management Co., Ltd. and Ocean Fortune Investment Limited are both subsidiaries indirectly controlled by China COSCO Shipping Corporation Limited. Save for the above, the Bank was not aware of any related party relationship or concerted actions among the above shareholders.

4. As at the end of the reporting period, Hong Kong Securities Clearing Company Nominees Limited held the 759,105,055 A shares of the Bank designated by and on behalf of others as the nominee, including shares under the Shanghai Stock Connect held by Hong Kong and overseas investors.

5. The Bank had no special repurchase account. There was no delegation, entrustment or abstention of voting rights. There was no difference in voting right arrangement.

6. As at the end of the reporting period, the top ten shareholders neither lent any shares of the Bank to engage in refinancing business nor held any shares of the Bank using credit accounts.

7. During the reporting period, China Huarong Asset Management Co., Ltd. became a top ten shareholder while COSCO Shipping (Shanghai) Investment Management Co., Ltd. slipped out of the top ten shareholders.

8. China Huarong Asset Management Co., Ltd. had been renamed China CITIC Financial Asset Management Co., Ltd.

V. CONFIRMATION OF COMPLIANCE WITH THE REQUIREMENT OF SUFFICIENCY OF PUBLIC FLOAT UNDER THE HONG KONG LISTING RULES

Based on publicly available information and to the knowledge of the Directors, as at 31 December 2023, the Bank had maintained the minimum public float as required by the *Hong Kong Listing Rules* and the waiver granted by SEHK.

VI. SUBSTANTIAL SHAREHOLDERS

i. Controlling shareholder

1. Basic information

Company name:	China Everbright Group Ltd.
Legal representative:	Wu Lijun
Date of establishment:	12 November 1990
Scope of business:	investment in and management of financial enterprises engaged in banking, securities, insurance, fund, trust, futures, leasing, gold and silver trading; asset management; investment in and management of non-financial enterprises (According to applicable laws, market entities have discretion to choose specific operation items to carry out operation activities. Business activities which are subject to approvals by competent regulatory authorities in accordance with applicable laws shall be carried out following the contents of approvals. Business operations prohibited or restricted by the industry policies of the country and Beijing Municipality are not allowed.)

2. Shareholding in other domestic and overseas listed companies

As at the end of the reporting period, the shareholding of CEG in other domestic and overseas listed companies were listed as follows:

Unit: %

Company name	Stock exchanges for listing	Shareholding percentage
Everbright Securities Co., Ltd.	SSE, SEHK	45.88
China Everbright Limited	SEHK	49.74
China Everbright Environment Group Limited	SEHK	43.08
China CYTS Tours Holding Co., Ltd.	SSE	22.99
Cachet Pharmaceutical Company Ltd.	SZSE	28.47
Everbright Grand China Assets Limited	SEHK	74.99
Shenwan Hongyuan Group Co., Ltd.	SZSE, SEHK	3.99

3. The controlling shareholder of CEG is CHI with 63.16% shareholding.

4. **Shareholding relationship between CEG and the Bank:**

5. **There was no pledged, marked or frozen equity of the Bank held by CEG.**

ii. Substantial shareholders holding more than 5% shares of the Bank

1. Overseas Chinese Town Holdings Company ("OCT Group") directly holds 7.11% shares of the Bank and dispatches directors to the Bank. As one of the Bank's substantial shareholders, the company's controlling shareholder is the State-owned Assets Supervision and Administration Commission of the State Council of China with 90% shareholding. The company was established in December 1987 with a registered capital of RMB12,000 million, and its legal representative is Mr. Zhang Zhen'gao. OCT Group mainly engages in investment in tourism and related cultural industries (including performing arts, entertainment and relevant services), industry, real estate, commerce and trade, packaging, decoration and printing industries; tourism, warehouse rental, arts and culture, bonded warehouse for donated cars, and convention and exhibition services. There was no pledged, marked or frozen equity of the Bank held by the company.

2. China CITIC Financial Asset Management Co., Ltd. directly holds 7.08% shares of the Bank and dispatches directors to the Bank. As one of the Bank's substantial shareholders, the company's substantial shareholders include China CITIC Group Corporation with 26.46% shareholding, MOF with 24.76% shareholding, Zhongbao Rongxin Private Equity Fund Management Co., Ltd. with 18.08% shareholding, and China Life Insurance (Group) Company with 4.5% shareholding. The company was established in November 1999 with a registered capital of RMB80.247 billion, and its legal representative is Mr. Liu Zhengjun. The company mainly engages in the acquisition and entrusted operation of non-performing assets of financial institutions and non-financial institutions, including management, investment and disposal; debt-for-equity swap and the management, investment and disposal of equity assets; overseas investment, purchase and sale of marketable securities, issuance of financial bonds, interbank borrowing and lending, commercial financing for other financial institutions, bankruptcy management, consulting and advisory business in terms of finance, investment, legal and risk management, appraisal of assets and projects, permitted asset securitization business, financial institution custody and close-down liquidation business, and other businesses approved by the banking regulatory authorities of the State Council of China. There was no pledged, marked or frozen equity of the Bank held by the company.

iii. Other substantial shareholders under regulatory standards

In accordance with the *Interim Measures for Equity Management of Commercial Banks* (Decree No. 1 of CBRC in 2018), substantial shareholders of the Bank also include:

1. China COSCO Shipping Corporation Limited ("COSCO Shipping") indirectly holds a total of 3.94% shares of the Bank through its subsidiaries COSCO Shipping (Shanghai) Investment Management Co., Ltd. and Ocean Fortune Investment Limited and once dispatched a director (the director resigned on 20 November 2023) to the Bank, thus imposing a substantial influence on the Bank. The controlling shareholder of COSCO Shipping is the State-owned Assets Supervision and Administration Commission of the State Council of China, with 90% shareholding. The company was established in February 2016 with a registered capital of RMB11,000 million, and its legal representative is Mr. Wan Min. The company mainly engages in international shipping and auxiliary services of maritime transport; import and export of goods and technologies; international sea, land and air freight agency business; self-owned ship chartering; sales of ships, containers and steel; design of ocean engineering equipment; investment in docks and ports; sales of communication equipment, and provision of information and technical services; storage (except for hazardous chemicals); technological development, transfer, consultation and services in the fields of shipping and spare parts; and equity investment fund. There was no pledged, marked or frozen equity of the Bank held by the above-mentioned two companies.

2. China Reinsurance (Group) Corporation directly and indirectly holds a total of 3.93% shares of the Bank and dispatches directors to the Bank, thus imposing a substantial influence on the Bank. Its controlling shareholder is CHI, with 71.56% shareholding. The company was established in August 1996 with a registered capital of RMB42,479.80 million, and its legal representative is Mr. He Chunlei. The company mainly engages in the establishment of insurance enterprises through investment, investment business permitted by national laws and regulations, and domestic and international reinsurance business permitted by national laws and regulations. There was no pledged, marked or frozen equity of the Bank held by the company.

3. Shenergy (Group) Co., Ltd. directly holds 1.30% shares of the Bank and dispatches supervisors to the Bank, thus imposing a substantial influence on the Bank. The company is under the de facto control of Shanghai Municipal State-owned Assets Supervision and Administration Commission, with 100% shareholding. The company was established in November 1996 with a registered capital of RMB28 billion, and its legal representative is Mr. Huang Dinan. The company mainly engages in the investment, development and management of fundamental industries relating to electricity and other energies, investment in natural gas resources and urban gas pipe network, investment and management of high-tech industries, real industry investment, asset operation and domestic trade (except as otherwise provided by special provisions). There was no pledged, marked or frozen equity of the Bank held by the company.

iv. Related party transactions with substantial shareholders

The Bank had treated a total of over 2,300 enterprises as related parties, including the above-mentioned substantial shareholders and their controlling shareholders, de facto controllers, persons acting in concert and ultimate beneficiaries as well as legal persons or non-legal-person organizations controlled or materially influenced by the above-mentioned substantial shareholders. During the reporting period, the Bank and its controlled subsidiaries entered into 49 related party transactions with 53 related parties, with the approved amount totaling approximately RMB132.8 billion. The above-mentioned related party transactions had been reported to the Board of Directors and its Related Party Transaction Control Committee of the Bank for approval or filing in accordance with relevant procedures.

VII. AS AT THE END OF THE REPORTING PERIOD, THE BANK HAD NO SHARE REPURCHASE PLAN.

VIII. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE BANK UNDER HONG KONG LAWS AND REGULATIONS

As at the end of the reporting period, as far as Directors and Supervisors of the Bank were aware, the following persons or corporations (excluding Directors, Supervisors or Chief Executives of the Bank) had interests or short positions in the shares or underlying shares of the Bank as recorded in the register of interests in shares and short positions required to be kept under section 336 of the *Securities and Futures Ordinance of Hong Kong ("HKSFO")*, or which were required to be notified to the Bank:

Name of substantial shareholder	Class of shares	Type of interest	Long/Short position	Number of shares	Percentage of relevant shares in issue (%)[4,5]	Percentage of the total issued shares (%)[4,5]
China COSCO Shipping Corporation Limited[1]	H Shares	Interest of controlled corporation	Long position	1,605,286,000	12.66	2.72
China Shipping (Group) Company[1]	H Shares	Interest of controlled corporation	Long position	1,605,286,000	12.66	2.72
COSCO Shipping Financial Holdings Co., Limited[1]	H Shares	Interest of controlled corporation	Long position	1,605,286,000	12.66	2.72
Ocean Fortune Investment Limited[1]	H Shares	Beneficial owner	Long position	1,605,286,000	12.66	2.72
Central Huijin Investment Ltd.[2]	H Shares	Interest of controlled corporation	Long position	3,773,385,000	29.76	6.39
China Everbright Group Ltd.[2]	H Shares	Beneficial owner/ Interest of controlled corporation	Long position	1,866,595,000	14.72	3.16
China Reinsurance (Group) Corporation[2]	H Shares	Beneficial owner/ Interest of controlled corporation	Long position	1,906,790,000	15.04	3.23
China Life Reinsurance Company Ltd.[2]	H Shares	Beneficial owner	Long position	1,530,397,000	12.07	2.59
Overseas Chinese Town Holdings Company	H Shares	Beneficial owner	Long position	4,200,000,000	33.13	7.11
China Everbright Group Ltd.[3]	A Shares	Beneficial owner/ Interest of controlled corporation	Long position	26,017,105,467	56.06	44.03
Central Huijin Investment Ltd.[3]	A Shares	Interest of controlled corporation	Long position	27,046,529,086	58.28	45.78
China Huarong Asset Management Co., Ltd.	A Shares	Beneficial owner	Long position	4,184,682,388	9.02	7.08

Notes:

1. Ocean Fortune Investment Limited holds a long position in 1,605,286,000 H shares of the Bank directly. As far as the Bank was aware, Ocean Fortune Investment Limited is wholly-owned by COSCO Shipping Financial Holdings Co., Limited, which is wholly-owned by China Shipping (Group) Company. China Shipping (Group) Company is wholly-owned by China COSCO Shipping Corporation Limited. In accordance with the *HKSFO*, China COSCO Shipping Corporation Limited, China Shipping (Group) Company and COSCO Shipping Financial Holdings Co., Limited are all deemed to have interests in the 1,605,286,000 H shares held by Ocean Fortune Investment Limited.

2. China Life Reinsurance Company Ltd. holds a long position in 1,530,397,000 H shares of the Bank directly. China Reinsurance (Group) Corporation holds a long position in 376,393,000 H shares of the Bank directly. CEG holds a long position in 1,782,965,000 H shares of the Bank directly. China Everbright Holdings Company Limited holds a long position in 83,630,000 H shares of the Bank directly. As far as the Bank was aware, China Life Reinsurance Company Ltd. is wholly-owned by China Reinsurance (Group) Corporation, while 71.56% of the issued share capital of China Reinsurance (Group) Corporation is held by CHI. China Everbright Holdings Company Limited is wholly-owned by CEG, while 63.16% of the issued share capital of China Everbright Group is held by CHI. In accordance with the *HKSFO*, China Reinsurance (Group) Corporation is deemed to have interests in the 1,530,397,000 H shares held by China Life Reinsurance Company Ltd., while China Everbright Group is deemed to have interests in the 83,630,000 H shares held by China Everbright Holdings Company Limited. Therefore, CHI is deemed to have interests in a total of 3,773,385,000 H shares of the Bank indirectly.

Changes in Ordinary Share Capital and Shareholders

3. China Everbright Group directly holds a long position in 24,227,813,441 A shares of the Bank, and is deemed to indirectly hold a long position in a total of 1,789,292,026 A shares of the Bank through its subsidiaries as follows:

    (1) China Everbright Limited directly holds a long position in 1,572,735,868 A shares of the Bank.

    (2) Meiguang Enyu (Shanghai) Properties Company Limited directly holds a long position of 148,156,258 A shares of the Bank.

    (3) China Everbright Investment and Assets Management Co., Ltd. directly holds a long position of 8,000,000 A shares of the Bank.

    (4) Everbright Financial Holding Asset Management Co., Ltd. directly holds a long position of 60,399,900 A shares of the Bank.

    Therefore, CEG directly and indirectly holds a long position of 26,017,105,467 A shares of the Bank in total.

    China Reinsurance (Group) Corporation and Central Huijin Asset Management Ltd. directly hold a long position of 413,094,619 and 616,329,000 A shares of the Bank, respectively. As far as the Bank was aware, CHI held 100%, 71.56% and 63.16% of the issued share capital of Central Huijin Asset Management Ltd., China Reinsurance (Group) Corporation and CEG, respectively. In accordance with the *HKSFO*, CHI is deemed to hold a long position in 616,329,000 A shares held by Central Huijin Asset Management Ltd., a long position in 413,094,619 A shares held by China Reinsurance (Group) Corporation, and a long position in 26,017,105,467 A shares held by CEG. Therefore, CHI directly and indirectly holds a long position of 27,046,529,086 A shares of the Bank in total.

4. As at 31 December 2023, the issued share capital of the Bank was 59,085,551,061 shares, including 46,406,815,561 A shares and 12,678,735,500 H shares.

5. The percentage of shareholding is rounded to two decimal places.

6. The data disclosed above is based on the information provided on the website of HKEXnews and the information obtained by the Bank as at the end of the reporting period.

Save as disclosed above, as at the end of the reporting period, the Bank had not been notified by any person who had interests or short positions in the shares or underlying shares of the Bank which were required to be disclosed to the Bank under Divisions 2 and 3 of Part XV of the *HKSFO*, or which were recorded in the register of interests in shares and short positions required to be kept by the Bank under section 336 of the *HKSFO*.

IX. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK UNDER HONG KONG LAWS AND REGULATIONS

As at the end of the reporting period, as far as Directors and Supervisors of the Bank were aware, none of Directors, Supervisors and Chief Executives 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 the *HKSFO*) which were recorded in the register of interests in shares and short positions required to be kept by the Bank under section 352 of the *HKSFO*, or which were required to be notified to the Bank and SEHK under Divisions 7 and 8 of Part XV of the *HKSFO*, or which were required to be notified to the Bank and SEHK pursuant to the *Model Code*. None of Directors, Supervisors and Chief Executives of the Bank was granted a right to acquire any interest in the shares or debentures of the Bank or any of its associated corporations.

Changes in Preference Share Capital and Shareholders

I. ISSUANCE AND LISTING OF PREFERENCE SHARES

Unit: RMB, %, 10,000 Shares

Code	Abbreviation	Date of issuance	Issuance price	Coupon rate	Issuance volume	Date of listing	Approved volume for listing and trading	Date of delisting
360013	Everbright P1	19 June 2015	100	4.45	20,000	21 July 2015	20,000	–
360022	Everbright P2	8 August 2016	100	4.01	10,000	26 August 2016	10,000	–
360034	Everbright P3	15 July 2019	100	4.80	35,000	5 August 2019	35,000	–

II. USE OF PROCEEDS

In response to higher capital requirements raised by regulators, the Bank issued preference shares to ensure sustainable business development and improve its capital structure. All the proceeds were used to replenish the additional tier-1 capital.

III. TOTAL NUMBER OF PREFERENCE SHAREHOLDERS AND SHAREHOLDINGS OF TOP TEN PREFERENCE SHAREHOLDERS

i. Everbright P1 (Code: 360013)

Unit: Shareholder, Share, %

Total number of shareholders as at the end of the reporting period					22	
Total number of shareholders as at the end of the month prior to the disclosure date of this report					22	
Name of shareholder	Nature of shareholder	Changes in shareholding during the reporting period	Number of shares held	Percentage of shareholding	Class of shares	Number of shares pledged/marked/frozen
Hwabao Trust Co., Ltd.	Others	–	32,400,000	16.20	Domestic preference shares	–
Everbright Securities Asset Management Co., Ltd.	Others	-1,900,000	24,800,000	12.40	Domestic preference shares	–
BOCOM Schroders Asset Management Co., Ltd.	Others	–	15,500,000	7.75	Domestic preference shares	–
Bosera Asset Management Co., Limited	Others	–	15,500,000	7.75	Domestic preference shares	–
BOC International (China) Co., Ltd.	Others	-90,000	15,410,000	7.71	Domestic preference shares	–
Jiangsu International Trust Corporation Limited	Others	–	11,640,000	5.82	Domestic preference shares	–
Ping An Life Insurance Company of China, Ltd.	Others	–	10,000,000	5.00	Domestic preference shares	–
Ping An Property & Casualty Insurance Company of China, Ltd.	Others	–	10,000,000	5.00	Domestic preference shares	–
China Resources SZITIC Trust Co., Ltd.	Others	6,629,140	8,149,140	4.07	Domestic preference shares	–
China Merchants Wealth Asset Management Co., Ltd.	Others	–	7,786,000	3.89	Domestic preference shares	–

Note: Everbright Securities Asset Management Co., Ltd. is a related party of CEG and China Everbright Limited. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China, Ltd. are related parties. Save for the above, the Bank was not aware of any related party relationship or concerted actions among the above preference shareholders, as well as between the above preference shareholders and the top ten ordinary shareholders.

Changes in Preference Share Capital and Shareholders

ii. Everbright P2 (Code: 360022)

Unit: Shareholder, Share, %

Total number of shareholders as at the end of the reporting period					22	
Total number of shareholders as at the end of the month prior to the disclosure date of this report					21	
Name of shareholder	Nature of shareholder	Changes in shareholding during the reporting period	Number of shares held	Percentage of shareholding	Class of shares	Number of shares pledged/marked/frozen
AVIC Trust Co., Ltd.	Others	10,100,000	16,470,000	16.47	Domestic preference shares	–
China Resources SZITIC Trust Co., Ltd.	Others	14,990,000	15,290,000	15.29	Domestic preference shares	–
China Everbright Group Ltd.	State-owned legal person	–	10,000,000	10.00	Domestic preference shares	–
China Life Insurance Company Limited	Others	–	8,180,000	8.18	Domestic preference shares	–
Postal Savings Bank of China Co., Ltd.	Others	-50,000	7,150,000	7.15	Domestic preference shares	–
BOCOM Schroders Asset Management Co., Ltd.	Others	100,000	6,640,000	6.64	Domestic preference shares	–
Bosera Asset Management Co., Limited	Others	–	5,210,000	5.21	Domestic preference shares	–
Everbright Securities Asset Management Co., Ltd.	Others	2,190,000	4,830,000	4.83	Domestic preference shares	–
BOC International (China) Co., Ltd.	Others	–	4,570,000	4.57	Domestic preference shares	–
CITIC Wealth Management Corporation Limited	Others	4,310,000	4,310,000	4.31	Domestic preference shares	–

Note: China Everbright Group Ltd. is the controlling shareholder of the Bank. China Everbright Limited is a subsidiary indirectly controlled by China Everbright Group. Everbright Securities Asset Management Co., Ltd. is a related party of CEG and China Everbright Limited. Save for the above, the Bank was not aware of any related party relationship or concerted actions among the above preference shareholders, as well as between the above preference shareholders and the top ten ordinary shareholders.

iii. Everbright P3 (Code: 360034)

Unit: Shareholder, Share, %

Total number of shareholders as at the end of the reporting period					26	
Total number of shareholders as at the end of the month prior to the disclosure date of this report					26	
Name of shareholder	Nature of shareholder	Changes in shareholding during the reporting period	Number of shares held	Percentage of shareholding	Class of shares	Number of shares pledged/marked/frozen
Ping An Life Insurance Company of China, Ltd.	Others	–	84,110,000	24.03	Domestic preference shares	–
China Life Insurance Company Limited	Others	–	47,720,000	13.63	Domestic preference shares	–
New China Life Insurance Company Ltd.	Others	–	27,270,000	7.79	Domestic preference shares	–
BOCOM Schroders Asset Management Co., Ltd.	Others	–	27,270,000	7.79	Domestic preference shares	–
CCB Trust Co., Ltd.	Others	–	20,810,000	5.95	Domestic preference shares	–
Ping An Property & Casualty Insurance Company of China, Ltd.	Others	–	18,180,000	5.19	Domestic preference shares	–
Everbright Securities Asset Management Co., Ltd.	Others	9,650,000	15,540,000	4.44	Domestic preference shares	–
CITIC-Prudential Life Insurance Company Limited	Others	–	15,000,000	4.29	Domestic preference shares	–
Postal Savings Bank of China Co., Ltd.	Others	–	13,630,000	3.89	Domestic preference shares	–
CITIC Securities Co., Ltd.	Others	-2,410,000	10,720,000	3.06	Domestic preference shares	–

Note: Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China, Ltd. are related parties. Everbright Securities Asset Management Co., Ltd. is a related party of CEG and China Everbright Limited. CITIC-Prudential Life Insurance Company Limited and CITIC Securities Co., Ltd. are related parties. Save for the above, the Bank was not aware of any related party relationship or concerted actions among the above preference shareholders, as well as between the above preference shareholders and the top ten ordinary shareholders.

IV. PROFIT DISTRIBUTION FOR PREFERENCE SHARES

1. Profit distribution policy for preference shares

Everbright P1, Everbright P2 and Everbright P3 issued by the Bank are priced at coupon rates subject to adjustments at different intervals. The coupon rates shall remain unchanged for the first five years commencing from the issuance date. Subsequently, the coupon rates shall be adjusted once every five years, and remain unchanged during adjustment intervals. Through market consultation, the initial coupon rates for Everbright P1, Everbright P2 and Everbright P3 were 5.30%, 3.90% and 4.80%, respectively. Of these, the initial coupon rates for Everbright P1 and Everbright P2, which had been applied for five years, were adjusted to the second-phase coupon rates of 4.45% and 4.01% on 25 June 2020 and 11 August 2021, respectively.

The dividends on the above three preference shares are non-cumulative, and the dividends shall be paid in cash. Under the circumstance that the Bank decides to cancel part or all of the dividend payments of the preference shares, the undistributed dividends shall not be carried forward to the following dividend period. After receiving dividends at the agreed rates, the preference shareholders are not entitled to the distribution of remaining profits with ordinary shareholders.

2. Profit distribution plan for preference shares

On 26 June 2023, the Bank distributed dividends on Everbright P1 at a coupon rate of 4.45% (before tax). On 11 August 2023, the Bank distributed dividends on Everbright P2 at a coupon rate of 4.01% (before tax). On 17 April 2023, the Bank distributed dividends on Everbright P3 at a coupon rate of 4.80% (before tax). All the above had been executed.

As agreed, the dividends on Everbright P1 and Everbright P2 shall be paid annually. The Bank shall convene a board meeting at least 10 working days prior to the dividend payment date of Everbright P1 (i.e. 25 June 2024) and Everbright P2 (i.e. 12 August 2024) to consider proposals relating to the dividend payment. The dividends on Everbright P3 are distributed once per fiscal year. The Bank will implement the dividend distribution plan within 15 working days after the Board of Directors' review and approval.

3. Amount and proportion of the preference share dividends distributed in the last three years

Unit: RMB million, %

Item	2023	2022	2021
Amount of dividends	2,971	2,971	2,960
Proportion of distribution	100.00	100.00	100.00

Note: Proportion of distribution is calculated based on the amount of declared dividends and that of the agreed dividends payable for the year.

V. DURING THE REPORTING PERIOD, THERE WAS NO REDEMPTION OF PREFERENCE SHARES OR CONVERSION OF PREFERENCE SHARES INTO ORDINARY SHARES BY THE BANK. FOR THE DETAILS OF THE PREFERENCE SHARE REPURCHASE AND THE TRIGGER CONDITIONS OF CONVERSION OF PREFERENCE SHARES INTO ORDINARY SHARES, PLEASE REFER TO THE PROSPECTUSES RELEASED AT PREFERENCE SHARE ISSUANCE OF THE BANK.

VI. DURING THE REPORTING PERIOD, THERE WAS NO VOTING RIGHT RESTORATION IN THE PREFERENCE SHARES OF THE BANK.

VII. ACCOUNTING POLICIES FOR PREFERENCE SHARES OF THE BANK AND REASONS FOR ADOPTION

According to the *Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments* and *Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments* promulgated by MOF, the preference shares issued by the Bank were accounted for as an equity instrument.

Directors, Supervisors, Senior Management, Staff and Business Outlets

I. INCUMBENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Gender	Age	Term of office	Remuneration received from the Bank during the reporting period (in RMB10,000 on a pretax basis)	Whether received remuneration from a related party
Wu Lijun	Chairman, Non-Executive Director	Male	59	2020.03-2025.09	–	Yes
Cui Yong	Vice Chairman (Designate), Non-executive Director (Designate)	Male	54	–	–	Yes
Wang Zhiheng	Secretary of the CPC Committee, Executive Director, President	Male	50	2022.12 -2025.09	78.99	No
Qu Liang	Member of the CPC Committee, Executive Director, Executive Vice President	Male	57	2018.09-2025.09	169.50	No
Qi Ye	Member of the CPC Committee, Executive Director (Designate), Executive Vice President, Chairwoman of Working Committee of Labor Union	Female	54	2020.05–	166.22	No
Yang Bingbing	Member of the CPC Committee, Executive Director (Designate), Executive Vice President, Risk Director, Secretary of the CPC Committee of the Head Office	Male	53	2020.05–	166.22	No
Yao Wei	Non-executive Director	Male	48	2021.02-2025.09	–	Yes
Zhu Wenhui	Non-executive Director	Male	46	2023.08-2025.09	–	Yes
Li Wei	Non-executive Director	Male	53	2021.08-2025.09	–	Yes
Shao Ruiqing	Independent Non-executive Director	Male	66	2019.08-2025.08	43.00	Yes
Hong Yongmiao	Independent Non-executive Director	Male	60	2019.09-2025.09	43.00	Yes
Li Yinquan	Independent Non-executive Director	Male	68	2020.06-2025.09	43.00	Yes
Liu Shiping	Independent Non-executive Director	Male	61	2022.01-2025.09	43.00	Yes
Huang Zhiling	Independent Non-executive Director	Male	64	2023.11-2025.09	–	No
Wu Junhao	Shareholder Supervisor	Male	58	2009.11-2025.09	–	Yes
Li Yinzhong	Shareholder Supervisor	Male	59	2021.12-2025.09	–	Yes
Wang Zhe	External Supervisor	Male	63	2016.11-2022.11	33.00	Yes
Qiao Zhimin	External Supervisor	Male	71	2019.09-2025.09	34.00	Yes
Chen Qing	External Supervisor	Female	63	2022.09-2025.09	–	No
Shang Wencheng	Employee Supervisor	Male	48	2019.07-2025.09	250.26	No
Yang Wenhua	Employee Supervisor	Male	55	2022.09-2025.09	245.02	No
Lu Jian	Employee Supervisor	Male	52	2022.09-2025.09	217.84	No
Liu Yan	Chief Financial Officer (Designate)	Female	50	–	–	No
Zhang Xuyang	Secretary to the Board of Directors, Chief Business Supervisor	Male	51	2022.08–	183.02	No
Total remuneration received from the Bank					1,716.07	

Notes:

1. The remuneration of Directors and Supervisors is subject to approval of the Annual General Meeting.

2. The remuneration of certain Directors and Supervisors of the Bank has not been finalized and an announcement will be made for further disclosure in due course.

3. The term of office of Mr. Wang Zhe as External Supervisor expired in November 2022, but Mr. Wang Zhe will continue to perform his duties until the qualifications of the succeeding External Supervisor are approved by the Annual General Meeting.

4. During the reporting period, the remuneration received by Directors, Supervisors, and Senior Management from the Bank was for the entire year of 2023.

5. Directors and Supervisors of the Bank recused themselves from the discussions of the Board of Directors and the Board of Supervisors regarding their own remuneration.

6. During the reporting period, none of Directors, Supervisors and Senior Management held any shares of the Bank.

7. During the reporting period, the Bank did not implement any equity incentive scheme, and none of Directors, Supervisors and Senior Management held stock options on the Bank's shares or was granted any restricted shares.

8. None of the incumbent Directors, Supervisors and Senior Management of the Bank was subject to any penalty by securities regulatory authorities in the recent three years.

II. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT WHO RESIGNED DURING THE REPORTING PERIOD

Name	Position	Gender	Age	Term of office	Remuneration received from the Bank during the reporting period (in RMB10,000 on a pretax basis)	Whether received remuneration from a related party
Wang Jiang	Secretary of the CPC Committee, Chairman, Non-executive Director	Male	60	2022.03-2023.11	–	Yes
Yao Zhongyou	Non-executive Director	Male	60	2021.02-2023.05	–	Yes
Dong Tiefeng	Member of the CPC Committee, Secretary of Discipline Inspection Committee (Executive Vice President level)	Male	56	2020.12-2024.03	169.50	No
Liu Chong	Non-executive Director	Male	54	2019.12-2023.11	–	Yes
Wang Liguo	Independent Non-executive Director	Male	66	2017.01-2023.10	35.00	No
Han Fuling	Independent Non-executive Director	Male	59	2021.05-2024.01	42.00	Yes
Lu Hong	Member of the CPC Committee, Chairman of the Board of Supervisors, Shareholder Supervisor, Chairman of Working Committee of Labor Union	Male	60	2021.03-2023.11	145.92	No
Total remuneration received from the Bank					392.42	

Notes:

1. The remuneration of resigned Directors, Supervisors and Senior Management of the Bank for 2023 was calculated based on their actual terms of office.

2. The term of office of Mr. Wang Liguo as Independent Non-executive Director expired in January 2023, but Mr. Wang Liguo continued to perform his duties until the qualifications of the succeeding Independent Non-executive Director Mr. Huang Zhiling were approved by NFRA. In November 2023, NFRA approved the qualifications of Mr. Huang Zhiling as Independent Non-executive Director, and Mr. Wang Liguo ceased to perform his duties.

3. Directors and Supervisors of the Bank recused themselves from the discussions of the Board of Directors and the Board of Supervisor regarding their own remuneration.

4. During the reporting period, none of the resigned Directors, Supervisors and Senior Management held shares of the Bank.

5. During the reporting period, the Bank did not implement any equity incentive scheme, and none of the resigned Directors, Supervisors and Senior Management held stock options on the Bank's shares or was granted any restricted shares.

6. None of the resigned Directors, Supervisors and Senior Management was subject to penalty from the securities supervisory authorities in the most recent three years.

III. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

i. Changes in Directors

1. On 13 March 2023, the former CBIRC approved Mr. Wang Zhiheng's qualifications as Executive Director of the Bank.

2. On 31 May 2023, Mr. Yao Zhongyou resigned from the positions as Non-executive Director and Member of Risk Management Committee of the Board of Directors of the Bank due to retirement.

3. On 31 August 2023, NFRA approved Mr. Zhu Wenhui's qualifications as Non-executive Director of the Bank.

4. On 1 November 2023, NFRA approved Mr. Huang Zhiling's qualifications as Independent Non-executive Director of the Bank, and Mr. Wang Liguo ceased to perform his duties.

5. On 17 November 2023, due to work adjustment, Mr. Wang Jiang resigned from the positions as Chairman, Non-executive Director, Chairman and Member of Strategy Committee, Member of Nomination Committee of the Board of Directors of the Bank.

6. On 17 November 2023, the 11th Meeting of the Ninth Session of the Board of Directors of the Bank elected Mr. Wu Lijun as Chairman of the Ninth Session of the Board of Directors of the Bank. On 29 January 2024, NFRA approved the qualifications of Mr. Wu Lijun as Chairman of the Board of Directors of the Bank.

7. On 20 November 2023, due to lack of time to fulfill duties because of personal matters, Mr. Liu Chong resigned from the positions as Non-executive Director, Member of Risk Management Committee and Member of Social Responsibility, Inclusive Finance Development and Consumer Rights and Interests Protection Committee of the Board of Directors of the Bank.

8. On 27 January 2024, Mr. Han Fuling, Independent Non-executive Director of the Bank, Member of Nomination Committee, Remuneration Committee, Related Party Transaction Control Committee, and Social Responsibility, Inclusive Finance Development and Consumer Rights and Interests Protection Committee of the Board of Directors of the Bank, passed away due to illness.

9. On 6 February 2024, the 14th Meeting of the Ninth Session of the Board of Directors of the Bank agreed to nominate Mr. Cui Yong as the candidate for Non-executive Director of the Bank, and Ms. Qi Ye and Mr. Yang Bingbing as the candidates for Executive Directors of the Bank. On 7 March 2024, the 2024 First Extraordinary General Meeting of the Bank was convened, at which Mr. Cui Yong was elected Non-executive Director of the Bank, and Ms. Qi Ye and Mr. Yang Bingbing were elected Executive Directors of the Bank. On 8 March 2024, Mr. Cui Yong was elected Vice Chairman of Board of Directors at the 15th Meeting of the Ninth Session of the Board of Directors of the Bank. The qualifications of Mr. Cui Yong as Non-executive Director and Vice Chairman of the Bank, and Ms. Qi Ye and Mr. Yang Bingbing as Executive Directors, are still pending the approval of NFRA.

ii. Changes in Supervisors

On 13 November 2023, due to retirement, Mr. Lu Hong resigned from the positions as Chairman of the Board of Supervisors, Shareholder Supervisor and Member of Nomination Committee of the Board of Supervisors of the Bank.

iii. Changes in Senior Management

1. On 13 March 2023, the former CBIRC approved the qualifications of Mr. Wang Zhiheng as President of the Bank.

2. On 6 February 2024, the 14th Meeting of the Ninth Session of the Board of Directors of the Bank agreed to appoint Ms. Liu Yan as Chief Financial Officer of the Bank. Her qualifications are still pending the approval of NFRA.

3. On 5 March 2024, due to work adjustment, Mr. Dong Tiefeng ceased to serve as Member of the CPC Committee and Secretary of Discipline Inspection Committee (Executive Vice President level) of the Bank.

IV. CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

i. Mr. Wu Lijun, Chairman of the Bank, also served as Secretary of the CPC Committee and Chairman of China Everbright Group Ltd., and Chairman of China Everbright Holdings Company Limited.

ii. Mr. Wang Zhiheng, Executive Director and President of the Bank, also served as Secretary of the CPC Committee of the Bank.

iii. Mr. Li Yinquan, Independent Non-executive Director of the Bank, also served as Independent Non-executive Director of Mainland Headwear Holdings Limited.

iv. Mr. Liu Shiping, Independent Non-executive Director of the Bank, also served as External Director of Huizhou Industrial Investment Group Co., Ltd.

v. Mr. Wu Junhao, Shareholder Supervisor of the Bank, ceased to serve as General Manager of Finance Management Department of Shenergy (Group) Co., Ltd., and Board Director of China Pacific Insurance (Group) Co., Ltd.

vi. Mr. Wang Zhe, External Supervisor of the Bank, also served as Independent Non-executive Director of Shanghai Rural Commercial Bank Co., Ltd. and Allinpay Network Services Co., Ltd.

vii. Mr. Lu Jian, Employee Supervisor of the Bank, also served as General Manager of Finance and Accounting Department of the Bank, and ceased to serve as Director-General of Office of Board of Supervisors.

V. REMUNERATION POLICIES OF THE BANK

In accordance with the regulatory requirements and the Bank's business management needs, the Bank formulated and implemented compensation management policies such as the *Management Measures for Employee Salary Points*, the *Management Measures for Remuneration of the Heads of Domestic Branches*, the *Management Measures for Deferred Payment of Performance-based Remuneration*, and the *Measures for Recovery of Performance-based Remuneration*. For Senior Management and employees whose positions exert a direct or material impact on risks, more than 40% of the performance-based remuneration shall be paid in a deferred manner, with a deferred period of at least three years, and the corresponding performance-based remuneration of those found guilty of violation of laws, regulations and disciplines or exposed to excessive risks within the scope of their responsibilities shall be recovered, based on the type of disciplinary action within the Party, organizational punishment or regulation violation, as well as the degree of risk exposure. During the reporting period, according to relevant measures, the Bank had recovered corresponding performance-based remuneration from employees found guilty of violation of laws, regulations and disciplines or exposed to excessive risks within the scope of their responsibilities.

VI. PROCEDURES FOR DETERMINING THE REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT, BASIS FOR DETERMINING THE REMUNERATION AND THE ACTUAL REMUNERATION PAID

The remuneration of Directors and Senior Management of the Bank is verified and paid in accordance with the *Articles of Association* of the Bank. The remuneration plan for Directors and Senior Management is reviewed by the Remuneration Committee of the Board of Directors before submitted to the Board of Directors for approval. The remuneration plan for Directors is further subject to the Annual General Meeting for approval.

The remuneration of Supervisors of the Bank is verified and paid in accordance with the *Articles of Association* of the Bank. The remuneration plan is reviewed by the Nomination Committee of the Board of Supervisors and then considered by the Board of Supervisors before submitted to the Annual General Meeting for approval.

For details about the remuneration of Directors, Supervisors and Senior Management of the Bank in 2023, please refer to relevant aforesaid content in this section.

VII. POSITIONS HELD IN SHAREHOLDING COMPANIES BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Shareholding company	Position	Term of office
Wu Lijun	China Everbright Group Ltd.	Secretary of the CPC Committee Chairman	Aug. 2023 to the present Nov. 2023 to the present
Wang Zhiheng	China Everbright Group Ltd.	Member of the CPC Committee Executive Director	Dec. 2022 to the present Feb. 2023 to the present
Yao Wei	Overseas Chinese Town Holdings Company	Member of Standing Committee of the CPC Committee, Chief Accountant	Jul. 2020 to the present
Zhu Wenhui	China CITIC Financial Asset Management Co., Ltd.	Member of the CPC Committee Vice President, Chief Financial Officer	Mar. 2022 to the present Jun. 2022 to the present
Li Wei	China Re Asset Management Company Ltd.	Secretary of the CPC Committee Vice Chairman, General Manager	Mar. 2021 to the present Jun. 2021 to the present

VIII. RESUMES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

i. Directors

Mr. Wu Lijun

Mr. Wu Lijun had served as Vice Chairman of the Board of Directors of the Bank since March 2020, and then has served Chairman of the Board of Directors of the Bank since January 2024. He currently serves as Secretary of the CPC Committee and Chairman of the Board of Directors of China Everbright Group Ltd. He concurrently serves as Principal of Party School of China Everbright Group Ltd. and Chairman of the Board of Directors of China Everbright Holdings Company Limited. He successively served as Deputy Director-General (Deputy Bureau Director level) of State Regulation Center of Supplies Reserve of Ministry of Domestic Trade; Head of IT Center, Deputy Director-General (Presiding) of Training Center, Director-General of Department of Personnel & Education and General Manager of Party Organization Department of China Securities Regulatory Commission (CSRC); Member of the CPC Committee and Assistant Chairman of CSRC; Chairman and Secretary of the CPC Committee (Deputy Minister level) of Shenzhen Stock Exchange; Deputy Secretary of the CPC Committee, Vice Chairman of the Board of Directors and General Manager of China Everbright Group Ltd. He holds a doctoral degree in economics and is qualified as a senior economist.

Mr. Cui Yong

Mr. Cui Yong currently serves as Deputy Secretary of the CPC Committee, Vice Chairman of the Board of Directors and General Manager of China Everbright Group Ltd., and Vice Chairman of the Board of Directors (Designate) of the Bank. He previously worked in the Ministry of Transport, and successively served as Deputy Division Chief and Division Chief of Transport and Urban Construction Division of Corporate Banking Department, Deputy General Manager of Corporate Banking Department I of Industrial and Commercial Bank of China (ICBC) H.O., Deputy Secretary of the CPC Committee and Deputy General Manager of ICBC Qingdao Branch, Secretary of the CPC Committee and General Manager of ICBC Xiamen Branch, Member of the CPC Committee and Deputy General Manager of ICBC Beijing Branch, General Manager of Corporate Finance Department of ICBC H.O.; Member of the CPC Committee and Vice President of Agricultural Bank of China; Member of the CPC Committee, Executive Director and Vice President of China Construction Bank. He holds a bachelor's degree in engineering and is qualified as a senior economist.

Mr. Wang Zhiheng

Mr. Wang Zhiheng had served as Deputy Secretary of the CPC Committee of the Bank since December 2022, and then has served as Executive Director and President of the Bank since March 2023, and Secretary of the CPC Committee of the Bank since December 2023. He currently serves as Member of the CPC Committee and Executive Director of China Everbright Group Ltd. He successively served as Deputy Division Chief of Corporate Planning Division of Corporate Banking Department of Bank of China (BOC) H.O., Director and Deputy General Manager of Human Resources Department of BOC H.O., Member of the CPC Committee and Deputy General Manager of BOC Guangdong Provincial Branch, Secretary of the CPC Committee and General Manager of BOC Qinghai Provincial Branch;, General Manager of Organization Department of the CPC Committee and General Manager of Human Resources Department of BOC H.O., Secretary of the CPC Committee and General Manager of BOC Beijing Branch, Member of the CPC Committee and Vice President of BOC H.O. He holds a master's degree in economics and is qualified as an economist.

Mr. Qu Liang

Mr. Qu Liang has served as Member of the CPC Committee of the Bank since September 2018, Executive Vice President of the Bank since March 2020, and Executive Director of the Bank since February 2021. He is currently Senior Officer Outside Australia (SOOA) of CEB Sydney Branch. He successively served as Deputy General Manager of Corporate Banking Department of ICBC Henan Provincial Branch; Director-General of General Office, General Manager of Corporate Banking Department II, General Manager of Corporate Banking Department I of China Merchants Bank (CMB) Zhengzhou Branch, Deputy General Manager of Corporate Banking Department of CMB H.O., Secretary of the CPC Committee and General Manager of CMB Hohhot Branch, Secretary of the CPC Committee and General Manager of CMB Chongqing Branch; Commissioner of Office of Leading Group for Deepening Overall Reform (Department Head level of Group Headquarters), and Director-General of Leasing Business Management Center of China Everbright Group Ltd., and concurrently Secretary of the CPC Committee and General Manager of CEB Beijing Branch; Chairman of the Board of Directors of CEB International Investment Corporation Limited (Acting). He holds a master's degree in law and is qualified as a senior economist. He is Director of China Society for Finance and Banking.

Ms. Qi Ye

Ms. Qi Ye has served as Member of the CPC Committee of the Bank since May 2020, and Executive Vice President of the Bank since July 2020. She is also Executive Director (Designate) of the Bank. She currently serves as Chairwoman of Working Committee of Labor Union Committee of the Bank, and concurrently serves as Director of China UnionPay Co., Ltd. She joined the Bank in 1992 and successively served as staff member of Credit Department of CEB H.O., cadre of CEB Hainan Representative Office, Assistant General Manager and Deputy General Manager of CEB Haikou Sub-branch directly affiliated to CEB H.O., Deputy General Manager of Personal Banking Department of CEB H.O. (later renamed as Retail Banking Department), Risk Director of Retail Banking Department (Deputy General Manager level of H.O. department), Accredited Risk Director to Retail Banking Department (Deputy General Manager level of H.O. department) and Accredited Risk Director to Micro-finance Department (General Manager level of H.O. department) from Risk Management Department, Deputy General Manager (General Manager level of H.O. department) and General Manager of Retail Banking Department, and Chief Business Supervisor of the Bank. She holds an MBA degree and is qualified as an economist.

Mr. Yang Bingbing

Mr. Yang Bingbing has served as Member of the CPC Committee of the Bank since May 2020, Executive Vice President of the Bank since July 2020, and Risk Director of the Bank since October 2021. He is also Executive Director (Designate) of the Bank. He currently serves as Secretary of Party Committee Office of CEB H.O. He joined the Bank in 2005, and successively served as Assistant General Manager and Deputy General Manager of Risk Management Department, Deputy General Manager (Presiding) and General Manager of Information Technology Department, General Manager of Electronic Banking Department, General Manager of Digital Banking Department, and Chief Business Supervisor of the Bank. He successively served as Deputy Principal Staff Member, Principal Staff Member of Unified Credit Management Division of Risk Management Department of BOC H.O. (during which he served as Deputy Director (Presiding) of Credit Management Division of Risk Management Department of Bank of China (Hong Kong) Limited), Senior Risk Manager (in charge of Risk Management Planning) of Risk Management Department of BOC H.O. He holds an MBA degree and is qualified as a senior economist.

Directors, Supervisors, Senior Management, Staff and Business Outlets

Mr. Yao Wei

Mr. Yao Wei has served as Non-executive Director of the Bank since February 2021. He is currently Member of Standing Committee of the CPC Committee and Chief Accountant of Overseas Chinese Town Holdings Company, and concurrently serves as Board Director of Konka Group Co., Ltd. He successively served as Deputy Head and Head of Fixed Assets Team of Assets Division, and Head of Internal Control Team of Accounting Division of Finance Department of Daya Bay Nuclear Power Operations and Management Co., Ltd. (DNMC); staff member, Budget Management Head, Tax Manager, Senior Manager, and Division Chief of General Finance Division of Finance Department of China Guangdong Nuclear Power Group Corporation; Chief Accountant of CGN Wind Energy Co., Ltd.; Non-executive Director and Chief Accountant of CGN Meiya Power Holdings Co., Ltd. (later renamed as CGN New Energy Holdings Co., Ltd.); Deputy General Manager (Presiding) and General Manager of Finance Department, General Manager of Finance and Asset Management Department of China General Nuclear Power Corporation (CGN). He concurrently served as Chief Accountant of CGN Solar Energy Development Co., Ltd., Chairman of the Board of Directors of CGNPC International Limited, Executive Director of Shenzhen Nengzhihui Investment Co., Ltd., Chairman of the Board of Directors of Overseas Chinese Town (Yunnan) Investment Co., Ltd. He holds a bachelor's degree in economics and is qualified as a certified public accountant.

Mr. Zhu Wenhui

Mr. Zhu Wenhui has served as Non-executive Director of the Bank since August 2023. He currently serves as Member of the CPC Committee, Vice President and Chief Financial Officer of China CITIC Financial Asset Management Co., Ltd. He successively served as Project Manager of Finance Department of CITIC Group; Project Manager of CITIC Australia Pty. Ltd. and CITIC Resources Australia Pty. Ltd.; Senior Project Manager, Senior Executive, Senior Director, and Division Chief of Finance Department, Division Chief and Assistant General Manager of Treasury Department, Deputy General Manager of Finance Department of CITIC Group Corporation. He concurrently served as Board Director of CITIC Industrial Investment Group Corp., Ltd., CITIC Press Group Co., Ltd, and CITIC Engineering Design & Construction Co., Ltd. He holds a master's degree in economics and an MBA degree. He is qualified as a senior economist and an Australian certified public accountant.

Mr. Li Wei

Mr. Li Wei has served as Non-executive Director of the Bank since August 2021. He currently serves as Secretary of the CPC Committee, Vice Chairman of the Board of Directors and General Manager of China Re Asset Management Company Ltd., and Chairman of the Board of Directors of China Re Asset Management (Hong Kong) Company Limited. He successively served as Member of the CPC Committee of Huatai Property & Casualty Insurance Co., Ltd.; Business Director of Sun Life Everbright Life Insurance Co., Ltd.; Member of the CPC Committee and Deputy General Manager of Sun Life Everbright Asset Management Co., Ltd.; Member of the CPC Committee, Deputy General Manager of China Continent Property & Casualty Insurance Co., Ltd., and Secretary of the CPC Committee and General Manager of its Beijing Branch; General Manager of Strategic Customer Department of China Reinsurance (Group) Corporation; Member of the CPC Committee and Deputy General Manager of China Re Asset Management Company Ltd.; Non-executive Director of CSSC (Hong Kong) Shipping Company Limited. He holds a doctoral degree in business administration.

Mr. Shao Ruiqing

Mr. Shao Ruiqing has served as Independent Non-executive Director of the Bank since August 2019. He currently serves as Professor (National Level II) and Doctoral Tutor of accounting at Shanghai Lixin University of Accounting and Finance. He concurrently serves as Vice President of China Communications Accounting Society; Vice President and Chairman of Academic Committee of Shanghai Accounting Society; Standing Director of Shanghai Audit Society; Member of Accounting & Finance Expert Advisory Committee of Ministry of Transport; Independent Non-executive Director of Shanghai International Port (Group) Co., Ltd., COSCO Shipping Development Co., Ltd., China Enterprise Company Limited and Arcplus Group PLC. He successively served as Professor, Doctoral Tutor, Dean of Accounting Faculty, Dean of College of Economics and Management of Shanghai Maritime University; Professor, Vice Principal of Shanghai Lixin University of Commerce; Deputy to the 13th Shanghai Municipal People's Congress. He concurrently served as Independent Non-executive Director of China Eastern Airlines Co., Ltd., and External Supervisor of China Merchants Bank. He holds a bachelor's degree in economics, a master's degree and a doctoral degree in management. He is a gainer of the State Council Special Allowance and is also an Honorary Fellow Member of the Association of International Accountants.

Mr. Hong Yongmiao

Mr. Hong Yongmiao has served as Independent Non-executive Director of the Bank since September 2019. He currently serves as Dean and Distinguished Professor of the School of Economics and Management of University of Chinese Academy of Sciences; Distinguished Researcher of the Academy of Mathematics and Systems Science of Chinese Academy of Sciences; Fellow of the World Academy of Sciences (TWAS); Fellow of the Econometric Society; Vice Chairman of Economics Teaching Advisory Board of Colleges and Universities of Ministry of Education; Co-editor of *China Journal of Econometrics*; Independent Non-executive Director of BBMG Corporation. He successively served as President of the Chinese Economists Society, Independent Non-executive Director of Industrial and Commercial Bank of China, Independent Non-executive Director of Xiamen Bank Co., Ltd. He holds a bachelor's degree in science, a master's degree and a doctoral degree in economics.

Mr. Li Yinquan

Mr. Li Yinquan has served as Independent Non-executive Director of the Bank since June 2020. He currently serves as Board Director of China Merchants Capital Investment Co., Ltd. He concurrently serves as Independent Non-executive Director of Genertec Universal Medical Group Co., Ltd., Million Cities Holdings Limited, Hong Kong Shanghai Alliance Holdings Limited and Mainland Headwear Holdings Limited. He successively served as Assistant General Manager of International Banking Department of Agricultural Bank of China(ABC) H.O., Head of Preparatory Group of ABC New York Branch, Deputy Director-General of Personnel & Education Department of ABC H.O., Deputy General Manager of ABC Hong Kong Branch; General Manager of Finance Department, Chief Financial Officer (Chief Accountant), and Vice President of China Merchants Group Limited; General Manager (CEO) and Chairman of the Board of Directors of China Merchants Capital Investment Co., Ltd. He concurrently served as Executive Director of China Merchants Holdings (International) Co., Ltd. (later renamed as China Merchants Port Holdings Company Limited); Non-executive Director of China Merchants Bank; Executive Director of China Merchants China Direct Investments Limited; Independent Non-executive Director of LIZHI INC. and Independent Non-executive Director of Kimou Environmental Holding Limited. He holds a master's degree in economics and a master's degree in finance development and is qualified as a senior economist.

Mr. Liu Shiping

Mr. Liu Shiping has served as Independent Non-executive Director of the Bank since January 2022. He currently serves as Chairman of the Board of Directors of Global Business Intelligence Consulting Corp. (GBICC). He concurrently serves as Professor, Doctoral Tutor, and Director of Research Center of Finance and Technology of University of Chinese Academy of Sciences; Adjunct Professor of Tongji University; Chief Scientist of the Key Special Project of the National Key Research and Development Program "Internet of Things and Smart City Key Technologies and Demonstration"; Vice Chairman of XBRL China Executive Committee; Vice President of the Next Generation Internet Union (NGIU); Member of Information Technology Committee of China Association for Public Companies; Member of the Independent Non-executive Board Committee of China Association for Public Companies; Vice President of Guangdong Financial Innovation Research Association; Director and Honorary Dean of the Guangdong Jinchuang Blockchain Research Institute; Invited Advisory Member of Decision-making Committee of Guangxi Zhuang Autonomous Region; Advisor of the Technology Advisory Group of Chengdu Municipal People's Government; Advisor of the Management Committee of Jinpu New Area of Dalian City; Independent Non-executive Director of Aixin Life Insurance Co., Ltd.; External Supervisor of Fujian OneBank Co., Ltd.; External Director of Huizhou Industrial Investment Group Co., Ltd. He successively served as Researcher of the Institute of Economics at Iowa State University in the United States; Senior Business Analyst at Providian Financial Corporation; Chief Advisor for Business Intelligence of Global Services Department and Head of Global Team of Data Mining Application in the Financial Industry of IBM; Independent Non-executive Director of People.cn Co., Ltd.; Chair Professor of Fuzhou University; Independent Non-executive Director of Industrial Bank; Independent Non-executive Director of Zhejiang Tailong Commercial Bank He holds a master's degree and a doctoral degree in economics, and a master's degree in statistics.

Mr. Huang Zhiling

Mr. Huang Zhiling has served as Independent Non-executive Director of the Bank since November 2023. He holds a doctoral degree in economics and is qualified as a researcher, risk management professional, and economist. He has engaged in macroeconomic analysis, currency policy research and market economies research at the Economic Research Center of the former State Planning Commission (now Academy of Macroeconomic Research under the National Development and Reform Commission) since 1991. He was engaged in policy research in China Construction Bank (CCB) from 1995 to 1998, and successively served as Deputy Director-General of Policy Research Office, Deputy Head of Investment Research Institute and Deputy Director-General of General Office of CCB H.O. He worked in China Cinda Asset Management Co., Ltd. from 1999 to 2006, and successively served as Director-General of President Office and Chairman of Asset Disposal Review Committee. He has served as General Manager of Risk Management Department of CCB since April 2006, and Chief Risk Officer of CCB since February 2011. He served as CCB's Chief Economist (concurrently as Secretary to the Board of Directors) from September 2013 to May 2020, mainly focusing on macroeconomic policies and bank development strategies. He has been appointed as Member of Academic Advisory Committee of China Association for Public Companies since September 2023.

ii. Supervisors

Mr. Wu Junhao

Mr. Wu Junhao has served as Supervisor of the Bank since November 2009. He currently serves as Supervisor of Orient Securities Co., Ltd. He successively served as Deputy Director of Shanghai Shenergy Asset Management Co., Ltd.; Deputy Director, Director and Senior Director of Asset Management Department, and Deputy Manager (Presiding) and General Manager of Financial Management Department of Shenergy (Group) Co., Ltd. He concurrently served as Board Director of Orient Securities Co., Ltd. and China Pacific Insurance (Group) Co., Ltd. He holds a master's degree in enterprise management.

Mr. Li Yinzhong

Mr. Li Yinzhong has served as Supervisor of the Bank since December 2021. He successively served as Manager of Finance Department of Shenzhen Office of China Everbright International Trust and Investment Company; Officer of Audit Office and Deputy Division Chief of Financial Audit Division of Audit Department of China Everbright (Group) Corporation; Assistant General Manager of Finance Department, Deputy General Manager of Investment Management Department (Division chief level, Deputy Bureau Director level), Director-General of Audit Department and Board Director of China Everbright Holdings Company Limited; Director and Chairman of the Board of Directors of Shenzhen Everbright Real Estate Co., Ltd.; Non-executive Director of Everbright Grand China Assets Limited; Chief Representative of Macao Representative Office of China Everbright Group Ltd. He concurrently served as General Manager of China Everbright (Macau) Company Limited. He holds a bachelor's degree in economics and is qualified as a senior accountant and a certified public accountant.

Mr. Wang Zhe

Mr. Wang Zhe has served as External Supervisor of the Bank since November 2016. He currently serves as Secretary General of Association of Shanghai Internet Financial Industry, and concurrently serves as Vice President of Shanghai Financial Association, and Independent Non-executive Director of Boill Healthcare Holdings Limited., Shanghai Rural Commercial Bank and Allinpay Network Services Co., Ltd. He successively served as staff member of Monetary Department, Deputy Division Chief of General Office of PBOC; Manager of China Gold Coin Shenzhen Center; Deputy General Manager of Shenzhen Branch of China CITIC Bank; General Manager of China Gold Coin Shenzhen Center; Deputy General Manager of China Gold Coin Incorporation; General Manager, Chairman and Secretary of the CPC Committee of Shanghai Gold Exchange; Secretary of the CPC Committee of China Foreign Exchange Trade System. He holds a master's degree.

Mr. Qiao Zhimin

Mr. Qiao Zhimin has served as External Supervisor of the Bank since September 2019. He concurrently serves as Independent Non-executive Director of Wuhan Rural Commercial Bank. He successively served as Deputy Division Chief of Finance and Accounting Department of BOC H.O., Deputy General Manager of BOC Luxembourg Branch, Deputy General Manager of General Planning Department of BOC H.O.; Deputy Director-General of Accounting Department, Deputy Director-General of Banking Supervision Department I of PBOC, Head of Regulatory Team (Bureau Director level) for ICBC; Director-General of Finance and Accounting Department of CBRC; Vice Chairman of the 4th Session of the Board of Supervisors and Chairman of the 5th Session of the Board of Supervisors of China Minsheng Bank; Independent Non-executive Director of the Bank. He holds a master's degree and is qualified as a senior accountant.

Ms. Chen Qing

Ms. Chen Qing has served as External Supervisor of the Bank since September 2022. She successively served as Deputy Division Chief of Finance Department of National Audit Office; Deputy Division Chief, Division Chief and Full-time Supervisor (Division Chief level) of Bank of China; Full-time Supervisor (Division Chief level) of Agricultural Bank of China; Full-time Supervisor (Deputy Bureau Director level), Director-General of Office of the Board of Supervisors, Director-General of Audit Supervision Bureau of Bank of Communications, during which she concurrently served as Member of Discipline Inspection Committee of Bank of Communications., Member of Discipline Inspection Committee Office of Bank of Communications H.O., Chairwomen of Female Employee Committee of Labor Union, Employee Supervisor of Bank of Communications. She holds an MBA degree and was a gainer of the State Council Special Allowance in 2018. She is qualified as a senior auditor.

Mr. Shang Wencheng

Mr. Shang Wencheng has served as Employee Supervisor of the Bank since July 2019. He currently serves as General Manager of Audit Department of the Bank, and concurrently serves as Member of China Institute of Internal Audit. He joined the Bank in 2000, and successively served as Deputy Division Chief of Financial Management Division of Planning and Finance Department, Accredited Financial Director (Senior Manager level) to Credit Card Center from Planning and Finance Department, Accredited Financial Director (Senior Manager level) to Information Technology Department from Planning and Finance Department, Senior Manager of Financial Management Division, and Senior Manager of Management Accounting Division of Planning and Finance Department, Deputy Director-General of Audit Center (East) (Assistant General Manager level and Deputy General Manager level of H.O. department) and Deputy General Manager of Audit Department of the Bank. He holds a doctoral degree in finance. He is qualified as a senior economist, senior accountant and certified public accountant.

Mr. Yang Wenhua

Mr. Yang Wenhua has served as Employee Supervisor of the Bank since September 2022. He currently serves as General Manager of Legal & Compliance Department of the Bank. He concurrently serves as Director-General of Office of Accountability Committee of the Bank, and Non-executive Director of China Everbright Bank (Europe) S.A. He joined the Bank in 2006 and successively served as Assistant General Manager and Deputy General Manager of Credit Approval Department of the Bank, General Manager of Asset Preservation Department, and General Manager of Special Assets Management Department of the Bank. He successively served as Deputy General Manager of Beijing Zhichun Road Sub-branch CITIC Industrial Bank, Secretary of Executive Vice President of CITIC Industrial Bank H.O., Deputy General Manager of General Management Sub-department of Corporate Banking Department, and Deputy General Manager of Risk Policy Department of CITIC Industrial Bank H.O. He holds a master's degree in economics and is qualified as an economist.

Mr. Lu Jian

Mr. Lu Jian has served as Employee Supervisor of the Bank since September 2022. He currently serves as General Manager of Finance and Accounting Department of the Bank. He joined the Bank in 2000 and successively served as Deputy Division Chief and Senior Manager of Financial Management Division of Planning and Finance Department of CEB H.O., Deputy General Manager of CEB Changzhou Sub-Branch of CEB Nanjing Branch (General Manager level of a tier-1 branch department), and Accredited Financial Director (Senior Manager level) to Electronic Banking Department from Planning and Finance Department, Senior Manager of Financial Management Division and Assistant General Manager of Planning and Finance Department, Assistant General Manager, Deputy General Manager of Finance and Accounting Department, and Director-General of Office of the Board of Supervisors of the Bank. He holds a bachelor's degree in economics and is qualified as a senior accountant and certified public accountant.

iii. Senior Management

Mr. Wang Zhiheng

Please refer to "i. Directors".

Mr. Qu Liang

Please refer to "i. Directors".

Ms. Qi Ye

Please refer to "i. Directors".

Mr. Yang Bingbing

Please refer to "i. Directors".

Ms. Liu Yan

Ms. Liu Yan currently serves as Chief Financial Officer of the Bank (Designate), General Manager of Asset & Liability Management Department and Financial Market Department of the Bank. She joined the Bank in 1999 and successively served as Business Executive and Deputy Business Manager of Planning and Finance Sub-department of Banking Department of CEB H.O., Deputy Business Manager, Deputy Division Chief of Expense Reimbursement Management Division, Senior Manager of Management Accounting Division of Planning and Finance Department, Deputy Director-General of Audit Center (East) (Assistant General Manager level of H.O. Department), Member of the CPC Committee and Deputy General Manager of CEB Shanghai Branch, Deputy General Manager of Asset & Liability Management Department of CEB H.O. She holds a master's degree in management and is qualified as a certified public accountant.

Mr. Zhang Xuyang

Mr. Zhang Xuyang has served as Secretary to the Board of Directors of the Bank since August 2022, and Joint Company Secretary of the Bank since May 2022. He currently serves as Chief Business Supervisor of the Bank. He successively served in CEB H.O. as staff member of Market Development Department and General Office, Deputy Division Chief of General Secretariat Division, Division Chief of Secretariat Division II of General Office, Senior Deputy Manager, Division Chief of Agency Banking Division of Treasury Department, Division Chief of Foreign Exchange and Structured Products Division and Assistant General Manager of Investment Banking Department, Assistant General Manager of Personal Banking Department and Director-General of Wealth Management Center, Deputy General Manager, General Manager of Retail Banking Department and concurrently Director-General of Wealth Management Center, General Manager of Asset Management Department; Head of Preparatory Group, Secretary of the CPC Committee and Chairman of the Board of Directors of Everbright Wealth Management Co., Ltd.; Vice President of Baidu, Inc., and Vice President of Duxiaoman Technology (Beijing) Co., Ltd. He concurrently served as Chairman of Supervisory Committee of NetsUnion Clearing Corporation. He holds a master's degree in economics and a master's degree in science. He was Deputy to the 17th Qingdao Municipal People's Congress and Member of Financial and Economic Committee of the Qingdao Municipal People's Congress.

IX. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

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

X. FINANCIAL, BUSINESS AND KIN RELATIONSHIPS AMONG MEMBERS OF THE BOARD OF DIRECTORS

Saved as disclosed in this Report, there were no financial, business, kin relationships or other material relationships among the members of the Board of Directors.

XI. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS

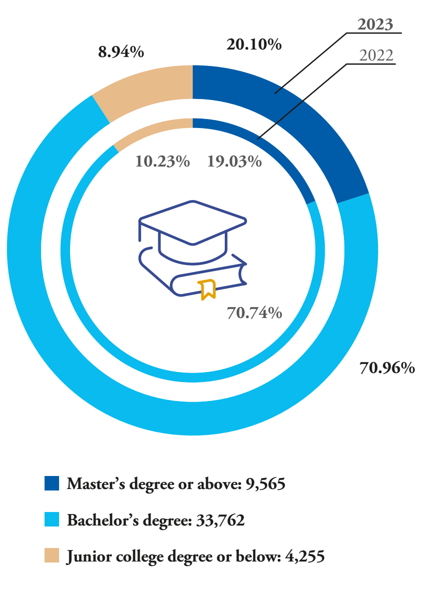
None of the Directors or Supervisors of the Bank or their connected entities had any material interests in any material transaction, arrangement or contract by the Bank or its subsidiaries during the reporting period. None of Directors or Supervisors of the Bank entered into any service contract, pursuant to which the Bank shall compensate Directors or Supervisors if the Bank terminates the contract within a certain year (excluding statutory compensation).

XII. EMPLOYEES

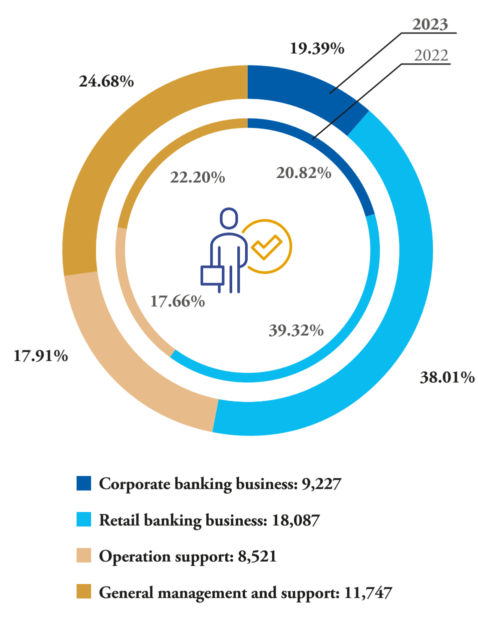
i. Overview

As at the end of the reporting period, the Bank had 47,582 employees (including 926 employees of subsidiaries) and 2,222 retired employees. Among all incumbent employees, in terms of educational background, 4,255 employees held a junior college degree or below, accounting for 8.94% of the total employees; 33,762 employees held a bachelor's degree, accounting for 70.96%; and 9,565 employees held a postgraduate degree or above, accounting for 20.10%. In terms of business segment, 9,227 employees were in corporate banking business, accounting for 19.39%; 18,087 employees were in retail banking business (including credit card business and digital banking business), accounting for 38.01%; 8,521 employees were in operation support positions (including tellers), accounting for 17.91%; and 11,747 employees were in general management and service support positions, accounting for 24.68%.

The educational background structure of employees of the Bank



The professional structure of employees of the Bank



ii. Diversity of employees

The Bank attaches great importance to diversity of employees, treats employees of different gender, party and nationality equally, fully guarantees employees' equal rights to recruitment, post transfer, training and promotion, and strives to create a professional, inclusive and diversified working environment. As at the end of the reporting period, the ratio of male to female employees of the Bank was 1:1.3.

iii. Remuneration policies for Employees

Keeping closely in line with its development strategy and operation objectives, insisting on the combination of incentives and constraints, the Bank established a remuneration system that is performance-oriented, internally fair and market-comparable. Grassroots-level institutions and employees were given bigger weights in remuneration distribution. By establishing an incentive and constraint mechanism for remuneration distribution, the Bank balanced the relationships between current term with long term, and between return and risk, and ensured that remuneration incentive corresponds with risk-adjusted performance. The Bank's remuneration management policies are formulated and modified in strict accordance with relevant laws, regulations, regulatory requirements and the Bank's corporate governance procedures.

The gross payroll of the Bank is determined based on the Bank's performance, and the annual payroll is determined by the Board of Directors. The Bank formulated the annual payroll plan in strict accordance with regulatory requirements and the Bank's corporate governance requirements, and managed and distributed the gross payroll and employee remuneration of all institutions under its jurisdiction within the annual payroll plan.

The Bank's remuneration policies apply to all employees who have entered into labor contracts with the Bank, and there is no exception beyond original remuneration plan. Employee remuneration consists of basic remuneration, performance-based remuneration and welfare income. Among them, basic remuneration is determined according to the value of position, years of service and employees' duty performance ability, and performance-based remuneration is linked to the performance assessment results of the employees and their institutions. The remuneration of employees in the audit, legal compliance and risk management departments of the Bank is determined based on their value contribution, duty performance ability and work performance, so that they have no direct relation with the businesses they supervise and remain independent from other business sectors.

During the reporting period, there were 14,974 employees in positions that have direct or material impact on risks of the Bank, with a total remuneration of RMB8,838 million.

iv. Training plans

Adhering to strategic orientation in the enhancement of duty-performing abilities, the Bank continuously improved its training system, enriched training contents, and strengthened political competency training for cadres at all levels. It promoted the building and cultivation of Bank-wide professional talent pools in a coordinated manner by continuously advancing the construction of international banking and retail banking talent pools, and establishing talent pools for risk management & compliance, Party-building & inspection, and technological innovation. Furthermore, the Bank formulated annual training plans for corporate banking, retail banking, risk compliance, financial technology, finance management, operation management and general management, systematizing, standardizing and specializing in professional training in all business segments. It improved the talent self-development system, strengthened the building of internal trainer teams and relevant course systems at both the Head Office level and the branch level. It insisted on technological empowerment, enhancing the construction of "Sunshine Academy", the digital learning platform of the Bank. During the reporting period, CEB's "Sunshine Academy" cumulatively offered 96 online training sessions with more than 17,000 online courses, of which 2,763 were newly launched, with a daily average of 2,756 employees studying online. 8,998 training classes and 2,533 online examinations were organized, with employees' total learning time reaching 1,361,200 hours.

v. Employees of main subsidiaries as at the end of the reporting period

1. Everbright Financial Leasing Co., Ltd. had 180 formal employees, including 7 management members, 92 business staff and 81 supporting staff, with 95.72% of them holding a bachelor's degree or above.

2. Everbright Wealth Management Co., Ltd. had 313 formal employees, including 9 management members, 281 business staff and 23 supporting staff, with 100% of them holding a bachelor's degree or above.

3. Beijing Sunshine Consumer Finance Co., Ltd. had 133 formal employees, including 5 management members, 97 business staff and 31 supporting staff, with 100% of them holding a bachelor's degree or above.

4. CEB International Investment Corporation Limited had 99 formal employees, including 5 management members, 58 business staff and 36 supporting staff, with 100% of them holding a bachelor's degree or above.

5. China Everbright Bank (Europe) S.A. had 17 formal employees, including 4 management members, 10 business staff and 3 supporting staff, with 100% of them holding a bachelor's degree or above.

6. Shaoshan Everbright Rural Bank Co., Ltd. had 33 formal employees, including 3 management members, 18 business staff and 12 supporting staff, with 69.70% of them holding a bachelor's degree or above.

7. Jiangsu Huai'an Everbright Rural Bank Co., Ltd. had 42 formal employees, including 4 management members, 20 business staff members and 18 supporting staff members, with 80.95% of them holding a bachelor's degree or above.

8. Jiangxi Ruijin Everbright Rural Bank Co., Ltd. had 29 formal employees, including 3 management members, 15 business staff and 11 supporting staff, with 84.61% of them holding a bachelor's degree or above.

XIII. ORGANIZATIONAL SETUP

i. Departments

During the reporting period, the former Corporate Finance Department was renamed Corporate Finance Department/Strategic Customer Department as the functions of Strategic Customer Sub-department under Investment Banking Department were integrated into the former Corporate Finance Department. The former Tianjin Support Center was renamed Research & Education Center (Party School). And there was no change in the setup of other departments. As at the end of the reporting period, the first-tier departments in the Head Office of the Bank included: General Office (Party Committee Office), Office of Board of Directors, Office of Board of Supervisors, Strategic Management & Investor Relations Department, Finance & Accounting Department, Asset & Liability Management Department (ALM Department), Corporate Finance Department/Strategic Customer Department, Public Sector Marketing Department, Investment Banking Department, Transaction Banking Department, International Banking Department, Inclusive Finance Department/Rural Revitalization Finance Department, Retail Banking & Wealth Management Department, Private Banking Department, Retail Credit Department, Credit Card Center, Financial Market Department, Financial Institutions Department, Asset Custody Department, Digital Banking/E-cloud Banking Services Department, Financial Technology Department, Data Asset Management Department, Technology R&D Center, Intelligent Operation Center, Risk Management Department, Credit Approval Department, Risk Monitoring Department, Special Assets Management Department/Asset Management Department, Legal & Compliance Department/Office of Accountability Committee, Audit Department, Audit Center (Affiliated to H.O.), Audit Center (East), Audit Center (South), Audit Center (Central), Audit Center (West), Operation Management Department, Channel Management Department/Consumer Rights & Interests Protection Department, Human Resources Department (Organization Department of Party Committee), Party Affairs Department (Publicity Department of Party Committee), Office of Discipline Inspection Committee/Discipline Inspection Committee of H.O., Inspection Office, Office of Working Committee of Labor Union, Party Committee Office of H.O., Research & Education Center (Party School), and Party-building Research Office.

ii. Branches and Outlets

During the reporting period, the Bank had a net increase of 5 new banking outlets and a net decrease of 22 community banks. In the domestic market, as at the end of the reporting period, the Bank had 1,312 branches and outlets, including 39 tier-1 branches, 115 tier-2 branches and 1,158 outlets (inclusive of sub-branches in different cities, county-level sub-branches, intra-city sub-branches and banking departments of branches), and 438 community banks. The outlets of the Bank extended business reach to 150 economic center cities, covering all provincial administrative regions. In the overseas market, the Bank had 6 overseas branch outlets, including Hong Kong Branch, Seoul Branch, Luxembourg Branch, Sydney Branch, Macao Branch and Tokyo Representative Office.

Details of the Bank's employees and branch outlets are as follows:

Name of Branch	Number of outlets	Number of employees	Total assets (RMB million)
Head Office	1	8,346	4,176,956
Beijing Branch	71	2,921	751,432
Shanghai Branch	57	1,838	427,047
Tianjin Branch	34	886	101,221
Chongqing Branch	27	940	113,331
Shijiazhuang Branch	55	1,342	116,249
Taiyuan Branch	40	1,110	126,400
Hohhot Branch	20	552	40,882
Dalian Branch	23	660	33,066
Shenyang Branch	39	1,140	53,055
Changchun Branch	36	914	45,345
Heilongjiang Branch	38	959	57,208
Nanjing Branch	68	1,771	322,518
Suzhou Branch	20	843	141,535
Wuxi Branch	10	402	105,340
Hangzhou Branch	44	1,363	232,985
Ningbo Branch	19	713	63,962
Hefei Branch	55	1,458	187,910
Fuzhou Branch	41	1,278	100,496
Xiamen Branch	17	517	46,351
Nanchang Branch	32	841	88,081
Jinan Branch	37	936	75,934
Qingdao Branch	35	961	78,469
Yantai Branch	15	504	62,174
Zhengzhou branch	52	1,393	133,319
Wuhan Branch	40	1,049	128,385
Changsha Branch	62	1,510	132,830
Guangzhou Branch	91	2,449	321,663
Shenzhen Branch	49	1,184	295,435
Nanning Branch	30	855	66,702
Haikou Branch	23	733	44,151
Chengdu Branch	31	863	91,104
Kunming Branch	22	706	56,929
Xi'an Branch	39	1,118	89,465
Urumqi Branch	7	210	20,886
Guiyang Branch	13	368	37,395
Lanzhou Branch	11	316	24,900
Yinchuan Branch	5	140	8,037
Xining Branch	2	81	9,377
Lhasa Branch	2	81	5,278
Hong Kong Branch	1	230	178,998
Seoul Branch	1	41	36,312
Luxembourg Branch	1	44	29,187
Sydney Branch	1	64	32,069
Macao Branch	1	21	4,538
Tokyo Representative Office	1	5	–
Subsidiaries		926	
Consolidation adjustment			(2,675,976)
Total	1,319	47,582	6,618,931

Notes:

1. For the number of employees of the Head Office, 2,958 staff from Credit Card Center and 1,804 staff from Remote Banking Center were included.

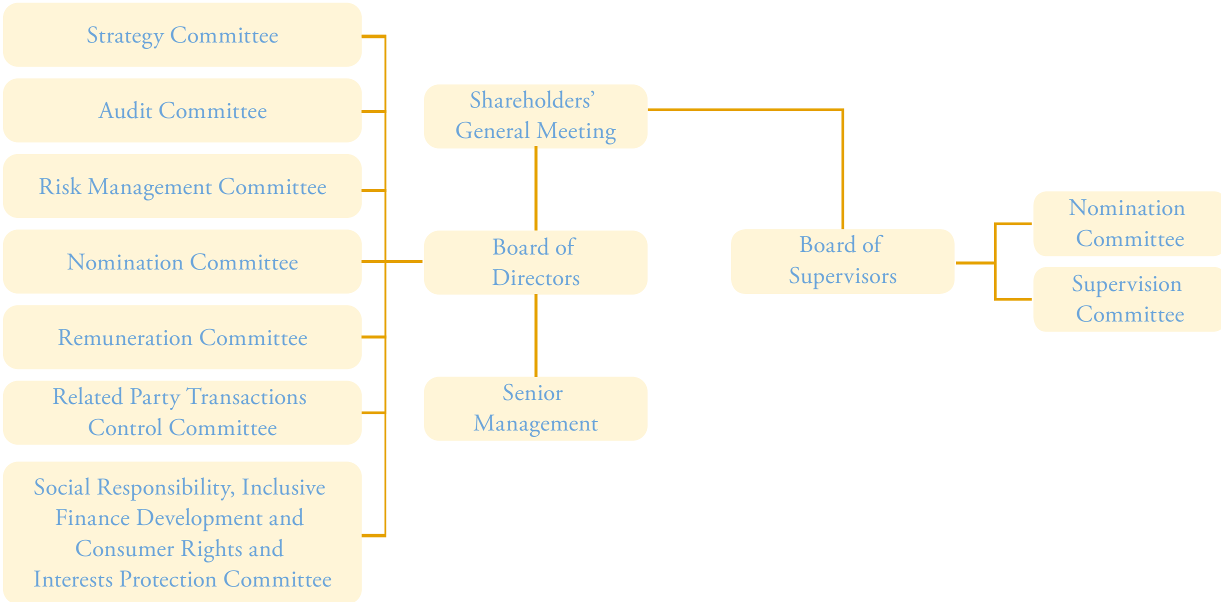
2. The number of outlets and the total assets of subsidiaries were not included in the total.


中国
CHINA

Corporate Governance

Corporate Governance

I. CORPORATE GOVERNANCE STRUCTURE



II. OVERVIEW

Aiming at the best practice of corporate governance in the capital market, the Bank has established a sound corporate governance framework and policy system meeting the requirements on modern corporate system, leading to steady improvement in corporate governance of the Bank. During the reporting period, the Bank strictly complied with the *Company Law*, the *Securities Law*, the *Law on Commercial Banks*, the *Code of the Corporate Governance for Listed Companies*, the *Code of Corporate Governance of Banking and Insurance Institutions*, the *Guidelines for the Board of Supervisors of Commercial Banks*, the *Hong Kong Listing Rules* and other requirements. The Bank's corporate governance had no major deviation from laws, administrative regulations and provisions issued by CSRC on corporate governance of listed companies.

The Board of Directors of the Bank performed the duties as set out in Rule A.2.1 of Appendix C1 to the *Hong Kong Listing Rules*, including reviewing the Bank's corporate governance policies and practices, the training and continuous professional development of Directors and Senior Management, the Bank's policies and practices in respect of observance of law and regulatory requirements, the Bank's compliance with the *Model Code* and the compliance manual for employees, the Bank's compliance with the provisions of Appendix C1 to the *Hong Kong Listing Rules* and the contents disclosed in this section.

During the reporting period, the Board of Directors of the Bank earnestly followed the guiding principles of the Central Financial Work Conference and the Central Economic Work Conference, actively served the real economy and shouldered its responsibilities as a central enterprise; further clarified strategic development approaches, promoted development transformation with internal driving forces, and insisted on high-quality development; promoted deep integration between the leadership of CPC and corporate governance, and continuously perfected a governance system with a clear definition of labor division, responsibility, coordinated operation and checks and balances, as the revised version of *Articles of Association* was approved by NFRA; accelerated digital transformation, continuously improved the IT governance system, approved the digital transformation plan and the technology strategic plan, promoted deep integration of business and technology, and actively served the target area of digital finance; adjusted and optimized the functions and organizational structures of relevant departments at the Head Office to enhance customer service capabilities; upheld the stable and prudent risk management concept, and perfected risk management system, further improving the level of risk management and internal control compliance management; continuously optimized the related party transaction management mechanism, strictly reviewing significant related party transactions; proactively fulfilled social responsibilities, promoting paired assistance through donations; practiced ESG responsibilities, adjusted the Board committees in accordance with the latest regulatory requirements, and revised work rules; actively served MSEs and people's livelihood, and established and improved the working mechanism for safeguarding the legitimate rights and interests of financial consumers; implemented the latest regulatory requirements, revised the *Work System for Independent Non-Executive Directors*, and formulated the *Work Rules for Special Meetings of Independent Non-Executive Directors*, ensuring the full effectiveness of the role of independent non-executive directors; and completed the approval of the qualifications of the former China Huarong Asset Management Corporation as a main shareholder, managing shareholder equity in an orderly manner.

During the reporting period, the Board of Supervisors of the Bank continuously strengthened its responsibility for oversight, proactively promoting organic integration between the Party's leadership and corporate governance; earnestly implemented regulatory requirements to work with the Board of Directors and Senior Management with a due division of duties in fulfilling various supervisory functions according to law, conducted prudent and objective evaluations on the performance of the Board of Directors, Senior Management and their members, and actively carried out duty performance self-evaluations, promoting effective performance of duties by all parties; carefully reviewed financial reports and profit distribution plans with a focus on the Bank's significant financial decision-making and implementation to conduct financial oversight in a targeted manner; strengthened supervision and check over risk management, internal control, strategic management and compensation management and provided guidance for internal audit work through reviewing proposals, listening to reports, conducting investigations and research, and departmental interviews, to effectively safeguard the rights and interests of shareholders and the Bank and promote the Bank's lawful, compliant and prudent operation; focused on key supervision areas to conduct in-depth investigations and research on serving the real economy, compliant operation and risk resolution, carrying out specialized research in a well-conceived and efficient manner; earnestly implemented the requirements of "Policy Implementation Year" and revised the *Measures of the Board of Supervisors to Supervise and Evaluate Directors' Duty Performance*, to further standardize the operation of the Board of Supervisors; strengthened supervision and implementation using *Feedback on Supervisors' Suggestions* and *Feedback on Research Suggestions* to supervise the implementation of Supervisors' suggestions, enhancing the quality and effectiveness of supervision; created new highlights in supervision work by visiting CEB's social security card joint service stations in Beihai City and participating in financial knowledge education & customer protection publicity activities; and continuously strengthened the Board of Supervisors' own construction to persistently improve the quality and efficiency of supervisory work and provide oversight and support for the sustainable and healthy development of the Bank.

During the reporting period, the Bank safeguarded the minority shareholders' rights of knowing, participating and decision-making through proper policy arrangements and procedure guarantee. Shareholders' general meetings were convened via both on-site voting and online voting. When material matters concerning the interests of medium and small investors were involved, the votes made by medium and small investors were counted and disclosed separately.

During the reporting period, the Bank proactively cultivated financial culture with Chinese characteristics, upheld the principle of honesty and trustworthiness, and stuck to the bottom line. The Bank sought benefits through righteousness, and refused to eye profits only. The Bank remained steady and prudent, not eager for quick success or instant benefits. The Bank adhered to integrity and innovation, and avoided being diverted out of the real economy. The Bank complied with laws and regulations, and never acted recklessly. The Bank strengthened unified brand planning, enhanced brand recognition and influence, and created a CEB brand that is well-recognized and well-trusted by customers.

The Board of Directors of the Bank had reviewed its work during the reporting period and solicited the opinions of Senior Management, who considered that the Board of Directors had effectively performed its duty and safeguarded the interests of the shareholders and the Bank.

III. INDEPENDENCE AND HORIZONTAL COMPETITION

The controlling shareholder and the de facto controller of the Bank took a series of measures in accordance with regulatory requirements to ensure that the Bank remains independent in terms of assets, personnel, finance, organization and business, and thus has the capability to operate independently. The controlling shareholder, the de facto controller and their related parties did not occupy or control the assets of the Bank. The Senior Management of the Bank did not hold any administrative positions in the controlling shareholder. The Bank has its independent and sound financial and accounting management policies, and the controlling shareholder, the de facto controller and their related parties did not interfere with the Bank's financial and accounting activities. The controlling shareholder, the de facto controller and their internal organizations had no superior-subordinate relationship with the Bank and its internal organizations. The controlling shareholder, the de facto controller and their related parties did not interfere with specific operations of the Bank and did not affect the independence of the Bank's operation management.

The Bank's controlling shareholder and other units under its control were not engaged in the same or similar businesses as the Bank. Therefore, there was no horizontal competition.

IV. SHAREHOLDERS' GENERAL MEETINGS

i. Convening of shareholders' general meetings

During the reporting period, the Bank held one annual general meeting and one extraordinary general meeting, all in conformity with the procedures specified in the *Articles of Association* of the Bank.

On 21 June 2023, the Bank convened the 2022 Annual General Meeting in Beijing with a total of 85 shareholders or their proxies present, representing 42,955,356,333 voting shares, accounting for 72.7003% of the Bank's total voting shares. The meeting considered 13 proposals including the annual work report of the Board of Directors, the annual work report of the Board of Supervisors, the fixed asset investment budget, the final account report, the shareholder return plan, the profit distribution plan, material related party transactions, the engagement of accounting firms, the remuneration of Directors and Supervisors, election of Directors, and paired assistance through donations, and listened to 5 reports.

On 27 December 2023, the Bank convened the 2023 First Extraordinary General Meeting with a total of 41 shareholders or their proxies present, representing 38,752,885,980 voting shares, accounting for 65.5878% of the Bank's total voting shares. This meeting considered and approved 3 proposals including the change of registered capital, material related party transactions, and the revision of the *Management Measures for Foreign Equity Investments*, and listened to 1 report.

The relevant announcements of the above-mentioned meetings were published on the websites of SSE, HKEXnews and the Bank.

ii. Implementation of the resolutions of the shareholders' general meetings by the Board of Directors

During the reporting period, the Board of Directors of the Bank earnestly and fully implemented resolutions considered and approved at the shareholders' general meetings of the Bank.

The Board of Directors of the Bank earnestly implemented the profit distribution plan for 2022, distributed dividends to shareholders in a timely manner, and safeguarded shareholders' interests properly. The profit distribution plan was completed in July 2023.

In accordance with the proposal on the election of Directors at the shareholders' general meetings, the Bank submitted the qualifications of new Directors to NFRA in a timely manner and all submitted qualifications of Directors had been approved.

In accordance with the proposal on targeted assistance through donations considered and approved by the shareholders' general meetings, the Bank had completed the work of paired assistance through donations.

Please refer to the *Articles of Association* of the Bank for details about the duties of shareholders' general meetings.

V. DIRECTORS AND BOARD OF DIRECTORS

i. Board composition

As at the disclosure date of this report, the Board of Directors consisted of 11 directors, including 2 Executive Directors (Mr. Wang Zhiheng and Mr. Qu Liang), 4 Non-executive Directors (Mr. Wu Lijun, Mr. Yao Wei, Mr. Zhu Wenhui, and Mr. Li Wei), and 5 Independent Non-executive Directors (Mr. Shao Ruiqing, Mr. Hong Yongmiao, Mr. Li Yinquan, Mr. Liu Shiping, and Mr. Huang Zhiling).

The Bank has paid special attention to the diversity of the members of the Board of Directors. In accordance with the *Policy on Membership Diversity of the Board of Directors* of the Bank, the Nomination Committee of the Board of Directors comprehensively assessed director candidates' gender, age, literacy level, educational background, professional experience, skills, knowledge, term of service, etc., when examining the appointment qualifications and conditions of director candidates and submitting recommendations to the Board of Directors. The Nomination Committee is also responsible for regularly evaluating the structure, number of members and composition of the Board of Directors. As at the disclosure date of this report, out of the 11 Directors of the Bank, there were 10 holding master's degrees or above, of which 6 holding doctoral degrees. The Non-executive Directors hold key positions in their respective institutions and possess extensive experience in management. The Independent Non-executive Directors are experts in economy, finance, accounting, risk management, fintech and other fields, possess extensive experience in different sectors, and provide the Bank with professional advice in different areas. The Board of Directors understands the special significance of gender diversity and therefore strives hard to enhance its gender diversity. Ms. Qi Ye was elected Executive Director by the Board of Directors of the Bank and shareholders' general meeting. Her qualifications are still pending the approval of NFRA.

For the details of the biographies of Directors, please refer to "Directors, Supervisors, Senior Management, Staff and Business Outlets".

ii. Duties of the Board of Directors

As the decision-making body of the Bank, the Board of Directors is responsible for convening the shareholders' general meeting, reporting to the shareholders' general meeting and implementing resolutions passed at the shareholders' general meetings. The Board of Directors shall also set out strategies, operation plans and investment plans and formulate various proposals on financial budget, final accounts, risk capital allocation, profit distribution and appoint members of Senior Management.

Corporate Governance

The Bank has formulated the *Articles of Association* and other relevant rules to ensure that the Board of Directors can obtain independent views and opinions, including selection procedures and selection criteria for Directors, voting recusal mechanism for Directors with major interests on relevant proposals of the Board of Directors, authority of Independent Non-Executive Directors for independently engaging external audit institutions, advisory agencies, independent financial advisors or other professional advisors. The Board of Directors believes that the above-mentioned mechanism can effectively ensure that the Board of Directors obtains independent views and opinions.

Please refer to the *Articles of Association* of the Bank for details about the duties of the Board of Directors.

iii. Board meetings and resolutions

During the reporting period, the Board of Directors held 9 meetings, including 6 on-site meetings and 3 meetings via written resolutions. The Board of Directors considered a total of 80 proposals and listened to 49 reports, playing an effective role in well-conceived decision-making.

The Board of Directors of the Bank highly valued the work of strategy optimization and evaluated the implementation of strategies regularly. It kept pace with the times by revising and improving relevant policies, continuously solidifying the institutional foundation for corporate governance operation. It strengthened comprehensive risk management and internal control systems, enhancing the capacity to resist risks. It standardized the shareholder equity management mechanism, further improving the level of management. It optimized the information disclosure system, enriched and perfected disclosure contents, and effectively protected the legitimate rights and interests of investors. It also conscientiously enhanced self-building and further strengthened duty performance capability.

The announcements of resolutions of Board meetings of the Bank are published on the websites of SSE, HKEXnews and the Bank.

iv. Attendance of Directors at the meetings of the Board of Directors

Director	Shareholders' Meeting	Board of Directors	Special Committees of the Board of Directors: Strategy Committee	Audit Committee	Risk Management Committee	Nomination Committee	Remuneration Committee	Related Party Transaction Control Committee	Social Responsibility, Inclusive Finance Development and Consumer Rights and Interests Protection Committee
	Number of attendance in person/Number of meetings during the term of office								
Incumbent Directors									
Wu Lijun	1/2	7/9	4/4	–	–	1/1	–	–	–
Wang Zhiheng	2/2	8/8	3/3	–	4/4	–	–	–	5/5
Qu Liang	2/2	9/9	–	–	–	–	–	–	5/5
Yao Wei	0/2	9/9	–	4/6	–	–	–	–	5/5
Zhu Wenhui	1/1	4/4	2/2	3/3	–	–	–	–	–
Li Wei	0/2	9/9	–	–	4/5	–	1/1	4/4	–
Shao Ruiqing	2/2	9/9	–	6/6	5/5	–	2/2	6/6	–
Hong Yongmiao	1/2	9/9	4/4	–	–	3/3	2/2	6/6	–
Li Yinquan	1/2	8/9	–	6/6	–	3/3	2/2	6/6	–
Liu Shiping	2/2	9/9	4/4	6/6	–	3/3	–	6/6	–
Huang Zhiling	0/1	3/3	–	1/1	1/1	–	–	2/2	1/1
Former Directors									
Wang Jiang	0/1	2/6	2/2	–	–	2/2	–	–	–
Yao Zhongyou	–	3/3	–	–	2/2	–	–	–	–
Liu Chong	1/1	7/7	–	–	4/4	–	–	–	4/4
Wang Liguo	0/1	6/6	–	5/5	4/4	–	1/1	4/4	–
Han Fuling	2/2	9/9	–	–	–	3/3	2/2	6/6	5/5

Notes:

1. Directors newly appointed in 2023 would start to perform their duties after their appointment qualifications were approved by the former CBIRC and NFRA.

2. For more details about the changes of Directors, please refer to "Directors, Supervisors, Senior Management, Staff and Business Outlets".

3. "Number of attendance in person" includes on-site attendance and attendance via written resolutions.

4. Directors who were unable to attend in person the meetings of the Board of Directors and Special Committees entrusted other Directors to attend the meetings by proxy and exercise their voting rights.

v. Appointment, re-election and removal of Directors

In accordance with the *Articles of Association* of the Bank, Directors shall be elected and replaced at the shareholders' general meetings, and the term of office for Directors (including Non-executive Directors) is three years starting from the date when their appointment qualifications are approved by NFRA. Directors can be re-elected and re-appointed when the term of office expires, and the term of office of the re-elected and re-appointed directors commences from the date when such re-election and re-appointment are considered and approved at the shareholders' general meetings.

The term of office of Independent Non-executive Directors is the same as that of other Directors of the Bank. The term of office of Independent Non-executive Directors in the Bank shall conform to the applicable laws and provisions of regulatory authorities.

The *Articles of Association* of the Bank stipulates the procedures for appointing, re-electing and removing Directors. The Nomination Committee of the Board of Directors preliminarily reviews the appointment qualifications and conditions of each director candidate and submits recommendations to the Board of Directors, which will consider and approve the proposal on the nomination of director candidates and further submit it for election at the shareholders' general meetings.

vi. Board statement on the financial statements

The Senior Management has provided sufficient explanation and information for the Board of Directors to make well-informed decisions in respect to the submitted financial statements and other materials for approval. The Directors of the Bank acknowledge that they are responsible to prepare the financial statements of the Bank which truly represent the operating results of the Bank for the year of 2023. To the best knowledge of the Directors, there was no material uncertain event or condition that might have a material adverse effect on the continuing operation of the Bank.

VI. BOARD COMMITTEES

The Board of Directors of the Bank has set up the Strategy Committee, the Audit Committee, the Risk Management Committee, the Nomination Committee, the Remuneration Committee, the Related Party Transaction Control Committee, and Social Responsibility, Inclusive Finance Development and Consumer Rights and Interests Protection Committee. During the reporting period, the special committees held 31 meetings, including 4 meetings of the Strategy Committee, 6 meetings of the Audit Committee, 5 meetings of the Risk Management Committee, 3 meetings of the Nomination Committee, 2 meetings of the Remuneration Committee, 6 meetings of the Related Party Transaction Control Committee, and 5 meetings of the Social Responsibility, Inclusive Finance Development and Consumer Rights and Interests Protection Committee. During these meetings, the Board Committees reviewed 73 proposals and listened to 56 reports. The Board committees, based on the division of duties, carefully considered material issues in the Bank's operation and management and provided professional support for the Board of Directors to make well-conceived decisions.

Corporate Governance

i. Strategy Committee

Primary duties and responsibilities of the Strategy Committee include formulating business objectives and medium- and long-term development strategies, and advising the Board accordingly; reviewing plans on capital management objectives and replenishment, and supervising and inspecting the implementation; and developing business plan, reform plan for operation and management mechanisms, major external investment programs and capital operation schemes, supervising and inspecting the implementation, and advising the Board accordingly.

During the reporting period, the Strategy Committee convened 4 meetings, including 2 on-site meetings and 2 meetings via written resolutions, reviewed 6 proposals and listened to 4 reports. It approved the proposals on the Bank's business plan and financial budget plan for 2023, the 2023 annual fixed assets investment budget plan, the 2022 profit distribution plan, the shareholder return plan for 2022-2024, the revision of the *Management Measures for Foreign Equity Investments*, and the Committee's work rules. The Committee also listened to the report on the carbon peak and carbon neutrality and green finance work in 2023, and the report on strategy implementation in 2022.

As at the disclosure date of this report, the Strategy Committee consisted of 5 Directors, including Non-executive Director Mr. Wu Lijun (Chairman), Executive Director Mr. Wang Zhiheng, Non-executive Director Mr. Zhu Wenhui, and Independent Non-executive Directors Mr. Hong Yongmiao and Mr. Liu Shiping.

ii. Audit Committee

Primary duties and responsibilities of the Audit Committee include supervising and evaluating the Bank's internal control; inspecting the Bank's risks, compliance status, accounting policies, financial reporting procedures and financial position; reviewing the Bank's financial information and its disclosure, and taking charge of the annual audit; supervising and guiding the internal audit, examining important policies and reports such as internal audit charter, and reviewing medium- and long-term audit plans and annual audit plan; supervising and evaluating external auditors, proposing the appointment or replacement of external audit firms; coordinating internal and external audits; reviewing and supervising the mechanisms for employees of the Bank to report misconducts related to financial report, internal control, etc.; proposing the appointment or dismissal of the chief financial officer; and reviewing changes in accounting policies, accounting estimates, or corrections of material accounting errors for reasons other than changes in accounting standards.

During the reporting period, the Audit Committee convened 6 meetings including 3 on-site meetings and 3 meetings via written resolutions, reviewed 12 proposals and listened to 13 reports. It considered and approved the annual auditor's report on financial statements for A shares and H shares, the interim review report, the quarterly reports on the implementation of agreed-upon procedures and other periodic reports, the internal control assessment report and the audit report on internal control, internal audit plan, the selection of accounting firms, and the revision of the Committee's work rules. The Committee also listened to the internal audit work summary, the *Proposal for Management of 2022* and the report on related rectifications, and special audits on wealth management business, and observed and discussed the performance of the annual, interim and quarterly operation.

The Committee diligently fulfilled its supervisory duties over auditors, urging the annual auditors to perform their audit work properly. In March 2023, the Committee convened a meeting, at which the *Proposal on the Engagement of Accounting Firms for 2023* was reviewed and approved. The Committee held that, EY Hua Ming and EY, which had completed the 2022 audit work for the Bank according to the audit service contract provisions, possess professional competence, investor protection ability, independence and good integrity. Therefore, the Committee agreed to continue engaging them as the accounting firms in charge of the Bank's domestic audit and overseas audit for 2023 respectively, and submit this proposal to the Board of Directors for deliberation. In December 2023, the Committee reviewed the auditors' audit work plan, focused on issues such as the service team, timetable, key audit areas, auditors' independence, project quality control and confidentiality, and pointed out major issues meriting particular attention in audit. In March 2024, the Audit Committee convened a meeting to review the 2023 auditor's report on financial statements of the Bank submitted by EY Hua Ming and EY. The Committee held that the auditor's report reflected the operation of the Bank in a truthful, accurate and complete manner, and formed a resolution which was submitted to the Board of Directors for review. Additionally, the Committee reviewed the auditors' summary report on the audit work, determining that the auditors had appropriately executed audit procedures on key audit projects, successfully completed the annual audit work, and agreed to submit it to the Board of Directors for review.

As at the disclosure date of this report, the Audit Committee consisted of 6 Directors, of which the majority and the Chairman were Independent Non-executive Directors. The members included Independent Non-executive Director Mr. Shao Ruiqing (Chairman), Non-executive Directors Mr. Yao Wei and Mr. Zhu Wenhui, and Independent Non-executive Directors Mr. Li Yinquan, Mr. Liu Shiping and Mr. Huang Zhiling.

iii. Risk Management Committee

Primary duties and responsibilities of the Risk Management Committee include determining the risk management policies of the Bank and the overall risk tolerance; supervising the duty performance of Senior Management of the Bank in credit, market, operational, liquidity, compliance and reputational risk control, etc.; evaluating the risk policy, management situation and risk tolerance of the Bank; regularly submitting risk management reports to the Board of Directors; drafting the Bank's management objective of capital adequacy ratio, and monitoring capital adequacy ratio; reviewing and approving matters related to the implementation of Basel III; supervising Senior Management's performance of anti-money laundering (AML) duties, and enhancing the effectiveness of data governance.

During the reporting period, the Risk Management Committee convened 5 meetings including 3 on-site meetings and 2 meetings via written resolutions, reviewed 24 proposals and listened to 11 reports. It considered and approved proposals including the risk management report, the capital adequacy ratio report, the liability quality management and consolidated management report, the business continuity special audit report, the internal capital adequacy assessment report, and reports related to risk appetite indicators, formulation and revision of relevant risk management policies, writing-off of bad debts, and revision of Committee's work rules, and paid constant attention to the credit investment policies, internal control and compliance, fraud case prevention and management, special audits, AML management and other aspects of work.

As at the disclosure date of his report, the Committee consisted of 4 Directors, including Independent Non-Executive Director Mr. Huang Zhiling (Chairman), Executive Director Mr. Wang Zhiheng, Non-Executive Director Mr. Li Wei, and Independent Non-Executive Director Mr. Shao Ruiqing.

iv. Nomination Committee

Primary duties and responsibilities of the Nomination Committee include selecting qualified candidates for Directors and Senior Management; drafting the procedures and the selection criteria for Directors and Senior Management, preliminarily reviewing the appointment qualifications and conditions of candidates, and advising the Board of Directors regarding the nomination or dismissal of Directors, and appointment or dismissal of Senior Management; and regularly assessing the Board structure, the number of Board members and the Board composition, and offering recommendations on the proposed adjustment of the Board of Directors according to the Bank's strategy.

During the reporting period, the Nomination Committee convened 3 meetings, all of which were meetings via written resolutions, reviewed 4 proposals and listened to 1 report. It approved the proposals on the nomination of candidates for Directors, the revision of the Committee's work rules, etc., and offered suggestions to the Board of Directors.

As at the disclosure date of this report, the Nomination Committee consisted of 4 Directors, of which the majority and the Chairman were Independent Non-executive Directors. The members included Independent Non-executive Director Mr. Liu Shiping (Chairman), Non-executive Director Mr. Wu Lijun and Independent Non-executive Directors Mr. Hong Yongmiao, and Mr. Li Yinquan.

v. Remuneration Committee

Primary duties and responsibilities of the Remuneration Committee include drafting the remuneration plan for Directors and Senior Management, making proposals to the Board and overseeing the implementation of the plan; reviewing the duty performance of Directors and Senior Management and making suggestions to the Board on the examination and evaluation of them; and reviewing the remuneration management policies and rules of the Bank, advising the Board accordingly and supervising the implementation of these policies.

During the reporting period, the Remuneration Committee convened 2 meetings, including 1 on-site meeting and 1 meeting via written resolutions, reviewed 6 proposals and listened to 3 reports. It reviewed and approved the Board of Directors' report on the evaluation of Directors' overall duty performance for 2022, Directors' remuneration for 2022, the report on the progress of performance-based remuneration recovery for 2022, etc., and revised the Committee's work rules, listened to the work reports made by Senior Management, and studied and proposed the assessment and evaluation results of Senior Management in 2022 and the remuneration suggestions for them. The Committee believed that the determination of Senior Management's remuneration complied with the relevant provisions of the *Management Measures for the Remuneration of Senior Management*, the determination of Directors' remuneration complied with the relevant provisions of the *Articles of Association* of the Bank, and the determination of Independent Non-executive Directors' remuneration complied with their work performance and the remuneration criteria for Independent Non-executive Directors. Directors recused themselves from the subvoting involving the determination of their remuneration.

As at the date of disclosure of this report, the Remuneration Committee consisted of 4 Directors, of which the majority and the Chairman were Independent Non-executive Directors. The members included Independent Non-Executive Director Mr. Hong Yongmiao (Chairman), Non-Executive Director Mr. Li Wei, and Independent Non-Executive Directors Mr. Shao Ruiqing and Mr. Li Yinquan.

vi. Related Party Transaction Control Committee

Primary duties and responsibilities of the Related Party Transaction Control Committee include filing the general related party transactions; reviewing major related party transactions and submitting the results to the Board of Directors for consideration; providing reports to the Board of Directors on the overall status, risk level and structural distribution of related party transactions conducted in the year; developing the related party transaction management measures and submitting the measures to the Board of Directors for approval before implementation; identifying the related parties of the Bank and promptly announcing the identified related parties to relevant staff; and listening to accountability reports in situations such as failing to report related parties as required and conducting related party transactions in violation of regulations.

During the reporting period, the Related Party Transaction Control Committee convened 6 meetings including 3 on-site meetings and 3 meetings via written resolutions, reviewed 16 proposals and listened to 1 report. It reviewed and approved the proposals on the 2022 report on related party transactions, 12 material related party transactions and 2 continuing related party transactions with entities related to CEG as well as the revision of Committee work rules, listened to special audit reports on related party transaction management, and received filings on 75 general related party transactions.

As at the disclosure date of this report, the Related Party Transaction Control Committee consisted of 5 Directors, all of which were Independent Non-executive Directors, including Mr. Li Yinquan (Chairman), Mr. Shao Ruiqing, Mr. Hong Yongmiao, Mr. Liu Shiping and Mr. Huang Zhiling.

vii. Social Responsibility, Inclusive Finance Development and Consumer Rights and Interests Protection Committee

Primary duties and responsibilities of the Social Responsibility, Inclusive Finance Development and Consumer Rights and Interests Protection Committee include promoting ESG system construction, deliberating on ESG-related strategies, plans, policies and regulations; researching, formulating and evaluating measures to improve ESG performance, and implementing ESG-related requirements proposed by regulatory bodies; reviewing the social responsibility report, regularly listening to ESG reports, and enhancing the level of ESG information disclosure; supervising and evaluating the implementation of the Bank's green finance development strategy; conducting strategic planning on the development of the Bank's inclusive finance business; reviewing the Bank's general policy, evaluation measures and annual business plan for inclusive finance; guiding and supervising Senior Management on the development of inclusive finance work; regularly reviewing the work reports of Senior Management on consumer rights and interests protection and submitting the reports to the Board of directors, discussing and deciding relevant matters according to the authorization of the Board of Directors, and studying major issues and policies on consumer rights and interests protection; guiding and urging the establishment and improvement of the Bank's management policies and mechanisms for the protection of consumer rights and interests; studying relevant audit reports, regulatory circulars and internal evaluation results related to the Bank's consumer rights and interests protection work, and urging timely rectification by Senior Management; and supervising the comprehensiveness, timeliness and effectiveness of consumer rights and interests protection work of Senior Management.

During the reporting period, the Social Responsibility, Inclusive Finance Development and Consumer Rights and Interests Protection Committee convened 5 meetings, including 2 on-site meetings and 3 meetings via written resolutions, reviewed 5 proposals and listened to 23 reports. It reviewed and approved the work summary and plan for the consumer protection work, the rectification of problems found in special audits, the measures for the assessment of branches' SME financial services, the revision of Committee work rules, etc. It also listened to and discussed the work summary and plan for inclusive finance, analysis on consumer complaints, inspection report of PBOC and NFRA on the Bank's consumer protection work and rectification of relevant problems found, etc.

As at the disclosure date of this report, the Social Responsibility, Inclusive Finance Development and Consumer Rights and Interests Protection Committee consisted of 4 Directors, including Executive Directors Mr. Wang Zhiheng (Chairman) and Mr. Qu Liang, Non-executive Director Mr. Yao Wei, and Independent Non-Executive Director Mr. Huang Zhiling.

VII. THE CHAIRMAN AND THE PRESIDENT

The roles and work of Chairman of the Board of Directors and President of the Bank are performed by different individuals, and their respective responsibilities are clearly defined and divided, which is in compliance with the provisions of the *Hong Kong Listing Rules*. Chairman of the Board of Directors of the Bank is responsible for convening and presiding over the meetings of the Board of Directors, ensuring that all Directors attending the Board meetings are properly informed of the issues to be reviewed and reported, managing the operation of the Board of Directors, making sure that all key and relevant issues were discussed by the Board of Directors in a constructive and timely manner. President of the Bank is responsible for the overall operation and management, the implementation of the resolutions of the Board of Directors, and the strategies and business plans of the Bank.

From January to November 2023, Mr. Wang Jiang acted as Chairman of the Board of Directors of the Bank. On 17 November 2023, Mr. Wang Jiang resigned from the position as Chairman of the Board of Directors of the Bank due to work adjustment. From 29 January 2024, Mr. Wu Lijun started serving as Chairman of the Board of Directors of the Bank. From 13 March 2023, Mr. Wang Zhiheng started serving as President of the Bank.

VIII. INDEPENDENT NON-EXECUTIVE DIRECTORS

i. Independence of the Independent Non-executive Directors

The 5 Independent Non-executive Directors of the Bank are not involved in any factors influencing their independence mentioned in Rule 3.13 of the *Hong Kong Listing Rules*. The Bank has received the letter of annual confirmation about his or her independence issued from each Independent Non-executive Director according to Rule 3.13 of the *Hong Kong Listing Rules*. The Bank holds that all Independent Non-executive Directors have met the independence requirements of the *Hong Kong Listing Rules*.

ii. Attendance of Shareholders' General Meetings by Independent Non-executive Directors

Please refer to the above relevant contents of this section for details.

iii. Attendance of Board meetings by Independent Non-executive Directors

Please refer to the above relevant content of this section for details.

iv. Independent Non-executive Directors' objections to any issues of the Bank

During the reporting period, none of the Independent Non-executive Directors of the Bank had raised any objection to the proposals of the Board of Directors or other issues.

v. Duty performance of Independent Non-executive Directors

As at the disclosure date of this report, the Bank had 5 Independent Non-executive Directors, exceeding one-third of the Board members. The Remuneration Committee, the Nomination Committee, the Related Party Transaction Control Committee, the Risk Management Committee and the Audit Committee of the Board of Directors were all chaired by Independent Non-executive Directors. During the reporting period, they expressed their independent opinions on all issues involving the interests of minority shareholders, such as profit distribution plan, nomination of Directors, remuneration of Directors, material related party transactions and internal control audit. In all Board committees, Independent Non-executive Directors, based on their expertise, provided professional and constructive opinions and recommendations on issues under discussion. When the Board of Directors was not in session, the Independent Non-executive Directors kept themselves updated of the Bank's internal documents and information on the *Bulletin of the Board*, and participated in prudential regulatory discussions, director communication meetings, and investigation visits to branches, so as to be well informed of regulatory feedback, the Bank's strategic implementation, business innovation, internal control & audit, and risk control of the Bank. They communicated actively with other Directors, Supervisors, Senior Management and auditors, so as to obtain necessary information to perform their duties. Independent Non-executive Directors maintained close contacts with the Bank via emails and phone calls. The suggestions from Independent Non-executive Directors were highly regarded and adopted by Senior Management, which played a positive role in further strengthening risk control and promoting business development of the Bank.

Pursuant to relevant regulations of SEHK, the Bank held a discussion between Chairman and Independent Non-executive Directors where Independent Non-executive Directors expressed opinions and suggestions on strategic positioning, development approaches, corporate governance, digital transformation and risk management. The recommendations of Independent Non-executive Directors were highly valued, and some were adopted by Senior Management, which played a positive role in defining strategic direction, promoting business development and enhancing corporate governance level of the Bank.

IX. SUPERVISORS AND THE BOARD OF SUPERVISORS

i. Board of Supervisors

As at the disclosure date of this report, the Board of Supervisors of the Bank consisted of 8 members, including 2 Shareholder Supervisors (Mr. Wu Junhao and Mr. Li Yinzhong), 3 External Supervisors (Mr. Wang Zhe, Mr. Qiao Zhimin and Ms. Chen Qing) and 3 Employee Supervisors (Mr. Shang Wencheng, Mr. Yang Wenhua and Mr. Lu Jian). The members of the Board of Supervisors, with rich experience in finance, accounting and corporate governance, have demonstrated sufficient professionalism and independence, thus ensuring the effective functioning of the Board of Supervisors.

For details of the biographies of Supervisors, please refer to "Directors, Supervisors, Senior Management, Staff and Business Outlets".

For details of the duties of the Board of Supervisors, please refer to the *Articles of Association* of the Bank.

ii. Ways of Duty performance for the Board of Supervisors

Main ways for the Board of Supervisors to perform supervisory duties include holding regular meetings, attending shareholders' general meetings, attending as non-voting delegates the meetings of the Board of Directors, Board committees and Senior Management, reviewing business management reports, listening to the work reports of all business lines and branches, conducting interviews with heads of various branches and departments, and conducting inspections and research on the branches and outlets. Through the above-mentioned ways, the Board of Supervisors supervised the duty performance of the Board of Directors, Senior Management and its members, as well as the Bank's finance management, risk management, internal control management, strategy management and remuneration management.

iii. Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors, in accordance with relevant provisions in the *Articles of Association* of the Bank and the rules of procedures, convened 6 meetings, including 4 on-site meetings and 2 meetings via written resolutions, at which it reviewed 29 proposals and listened to 63 reports, including the regular reports of the Bank, the reports on the duty performance evaluation of the Board of Directors, Senior Management and its members, the internal control evaluation report, the profit distribution plan, the annual business operation & financial budget plan, the remuneration of Supervisors and the work plan for consumer rights and interests protection, and expressed clear opinions on relevant proposals.

During the reporting period, pursuant to laws and regulations, the Supervisors attended all the on-site shareholders' general meetings, participated in all the meetings of the Board of Directors as non-voting delegates and supervised the compliance and legality, the voting procedures and the attendance, speeches and voting of the Directors of the aforementioned meetings.

Corporate Governance

iv. Attendance of Supervisors at meetings of the Board of Supervisors

Supervisor	Board of Supervisors	Special Committees of the Board of Supervisors: Nomination Committee	Special Committees of the Board of Supervisors: Supervision Committee
	Number of attendance in person/Number of meetings during the term of office		
Incumbent Supervisors			
Wu Junhao	6/6	–	4/5
Li Yinzhong	6/6	3/3	–
Wang Zhe	6/6	3/3	5/5
Qiao Zhimin	6/6	3/3	5/5
Chen Qing	6/6	3/3	5/5
Shang Wencheng	6/6	–	5/5
Yang Wenhua	6/6	–	5/5
Lu Jian	6/6	3/3	–
Former Supervisor			
Lu Hong	5/5	2/2	–

Notes:

1. For details of change in supervisors, please refer to "Directors, Supervisors, Senior Management, Staff and Business Outlets".

2. "Number of attendance in person" includes on-site attendance and attendance via written resolutions.

3. Supervisors who were unable to attend in person the meetings of the Board of Supervisors and special committees had all entrusted other Supervisors to attend the meetings by proxy and exercise their voting rights.

v. Special committees of the Board of Supervisors

The two committees under the Board of Supervisors are the Nomination Committee and the Supervision Committee. During the reporting period, the two committees convened 8 meetings, including 3 meetings of the Nomination Committee and 5 meetings of the Supervision Committee, at which 16 proposals were reviewed and 5 reports were heard. According to the division of responsibilities, the special committees under the Board of Supervisors discussed and studied significant supervision matters, providing strong support for the effective duty performance of the Board of Supervisors.

1. Nomination Committee

Primary duties and responsibilities of the Nomination Committee include providing suggestions for the Board of Supervisors regarding the size and composition of the Board of Supervisors; drafting the procedures and criteria for Supervisors elected by the shareholders' general meeting, and advising the Board of Supervisors accordingly; conducting preliminary review on the qualifications and conditions of supervisor candidates and advising the Board of Supervisors accordingly; supervising the procedures of the selection and appointment of Directors; drafting the plan for supervising the duty performance of Directors, Supervisors and Senior Management, making comprehensive evaluation in this regard and reporting to the Board of Supervisors; supervising the implementation of the remuneration management policies of the Bank and the rationality of the remuneration plan for Senior Management; and specifying the remuneration or allowance standards for Supervisors, and advising the Board of Supervisors accordingly.

During the reporting period, the Nomination Committee convened 3 meetings, including 1 on-site meeting and 2 meetings via written resolutions, at which it reviewed 9 proposals and listened to 3 reports. It reviewed and approved the proposals including the supervision and evaluation report on Board of Supervisors' duty performance for 2022, the remuneration plan for Supervisors and the former Chairman of the Board of Supervisors for 2022, and the amendments to the *Measures for Board of Supervisors' Supervision and Evaluation on Directors' Duty Performance*, and the implementation plan for the supervision and evaluation of the Board of Supervisors' duty performance in 2023, and listened to reports including the 2022 duty performance report and the 2023 work plan of the Nomination Committee, the report on the progress of performance-based remuneration recovery for 2022, and the special audit report on performance assessment and remuneration management for 2022.

As at the disclosure date of this report, the Nomination Committee consisted of 5 Supervisors, including External Supervisor Mr. Qiao Zhimin (Chairman), Shareholder Supervisor Mr. Li Yinzhong, External Supervisors Mr. Wang Zhe and Ms. Chen Qing, and Employee Supervisor Mr. Lu Jian.

2. Supervision Committee

Primary duties of the Supervision Committee include developing the plan for supervising the Bank's operation and decision-making, finance activities, risk management and internal control, and implementing this plan after approval by the Board of Supervisors; supervising the Board of Directors in building up the concept of prudent business operation and value principles for the Bank and in formulating the development strategy that works best for the Bank; keeping itself informed of the preparation of the regular reports by the Board of Directors and relevant material adjustments and reporting to the Board of Supervisors accordingly; and maintaining good communication with relevant special committees of the Board of Directors, relevant departments of the Bank and external agencies, and providing supervision suggestions on the Bank's engagement of external auditors when deemed necessary.

During the reporting period, the Supervision Committee of the Board of Supervisors convened 5 meetings, including 2 on-site meetings and 3 meetings via written resolutions, at which it reviewed 7 proposals and listened to 2 reports. It reviewed and approved the Bank's regular reports, the internal control assessment report, the internal control audit report, etc., and listened to reports including the strategic implementation report for 2022, the duty performance report of the Supervision Committee for 2022, and the work plan for 2023.

As at the disclosure date of this report, the Supervision Committee consisted of 6 Supervisors, including External Supervisor Ms. Chen Qing (Chairwoman), Shareholder Supervisor Mr. Wu Junhao, External Supervisors Mr. Wang Zhe and Mr. Qiao Zhimin, and Employee Supervisors Mr. Shang Wencheng and Mr. Yang Wenhua.

vi. Supervision by the Board of Supervisors

The Board of Supervisors had no objection to the supervision matters during the reporting period.

vii. Duty performance of External Supervisors

As at the end of the reporting period, the Bank had 3 External Supervisors, no less than one third of the members of the Board of Supervisors. According to the *Articles of Association* of the Bank, Chairman or Chairwoman of the Nomination Committee and the Supervision Committee of the Board of Supervisors shall be acted by External Supervisors. During the reporting period, all the 3 External Supervisors performed their duties in good faith and with due diligence and independently exercised their supervisory rights in strict accordance with regulatory requirements and the *Articles of Association* of the Bank. The time they spent on the supervision work of the Bank was no less than 15 working days. During the performance of duties, External Supervisors, by attending the meetings of the Board of Supervisors, convening the meetings of special committees of the Board of Supervisors, and attending shareholders' general meetings and the meetings of the Board of Directors and its special committees as non-voting attendees, proactively learned about the Bank's operational management situation and strategy implementation, and expressed independent, professional and objective opinions on major issues of concern such as material related party transactions, profit distribution, information disclosure, authenticity of financial statements, nomination and appointment of Directors, Supervisors and Senior Management and their remuneration. When the Board of Supervisors was not in session, External Supervisors carefully studied internal documents sent by the Bank, the information on the *Bulletin of the Board of Supervisors* and other materials to fully obtain information on supervision, and maintained close contact with the Bank through emails and phone calls. They paid attention to protecting the legitimate rights and interests of minority shareholders and other stakeholders, playing a positive role in the Board of Supervisors' duty performance.

viii. Review of the Annual Report by the Board of Supervisors

The Board of Supervisors reviewed the annual report and issued a written review opinion. The Board of Supervisors held that the preparation and review procedures of the 2023 Annual Report complied with relevant laws, regulations, regulatory requirements, the *Articles of Association* of the Bank and internal management policies. The contents and formats of the Report were in compliance with laws, regulations and regulatory requirements, and the information contained in the Report truly reflected the Bank's operation, management and financial position in 2023. No personnel involved in the preparation and review of the annual report was found to have violated confidentiality provisions.

ix. Review opinions of the Board of Supervisors on information disclosure management rules and the implementation

The Bank strictly performed its information disclosure obligations in accordance with regulatory requirements, conscientiously implemented the information disclosure management rules, and disclosed information in a timely and fair manner. During the reporting period, the information disclosed was authentic, accurate and complete.

X. SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Bank adopted the standards set out in the *Model Code* as the code of conduct to govern the securities transactions by Directors and Supervisors of the Bank. Upon enquiry, all Directors and Supervisors confirmed that they had always complied with the *Model Code* for the year ended 31 December 2023. The Bank also formulated guidelines regarding the dealing of the Bank's securities by relevant employees and the guidelines are no less exacting than the *Model Code*. It had not come to the attention of the Bank that any employee was in violation of the guidelines during the reporting period.

XI. SENIOR MANAGEMENT

As at the disclosure date of this report, Senior Management of the Bank consisted of 6 members, whose duties include carrying out operation and management of the Bank, organizing resources to implement the resolutions of the Board of Directors, implementing the strategic plan, the business plan and the investment plan approved by the Board of Directors, developing plans for setting up the internal management structure and the basic management rules, and formulating specific administrative measures.

During the reporting period, Senior Management, in accordance with the development strategy of the Bank, earnestly implemented the business plan and the financial budget approved by the Board of Directors, focused on key businesses, and improved its capability for high-quality development. Through these efforts, it made new progress in operational management.

XII. ESTABLISHMENT AND IMPLEMENTATION OF ASSESSMENT AND INCENTIVE MECHANISM FOR SENIOR MANAGEMENT

The Remuneration Committee of the Board of Directors is responsible for drafting the remuneration plan for Senior Management, reviewing the duty performance of Senior Management, proposing suggestions on the remuneration plan for Senior Management and submitting the proposals to the Board of Directors for approval. During the reporting period, the Remuneration Committee listened to the work reports of Senior Management, studied the 2022 performance evaluation result of Senior Management and proposed the remuneration plan, which was considered and approved by the Board of Directors prior to implementation.

XIII. IMPLEMENTATION OF STOCK INCENTIVE PLAN AND EMPLOYEE STOCK OWNERSHIP PLAN

As at the end of the reporting period, the Bank did not implement any stock incentive plan or employee stock ownership plan.

XIV. TRAINING OF DIRECTORS AND SUPERVISORS

During the reporting period, some Directors participated in the pre-job training for Directors and Supervisors of listed companies organized by SSE, and the special training for Directors and Supervisors of listed companies under the jurisdiction of Beijing Municipality organized by the Listed Companies Association of Beijing. Some Independent Non-executive Directors participated in the follow-up training for Independent Non-executive Directors held by SSE. The training which the Bank's Directors and Supervisors participated in regarding corporate governance, policies, laws, regulations, and business operation and management complied with Rule C.1.4 of the provisions of Appendix C1 to the *Hong Kong Listing Rules*.

XV. AUDITOR'S REMUNERATION

For details about auditor's remuneration, please refer to "Significant Events".

XVI. INFORMATION DISCLOSURE AND INSIDER INFORMATION MANAGEMENT

As a company listed both in Shanghai (A shares) and Hong Kong (H shares), the Bank implemented the *Securities Law* and relevant regulatory requirements, complied with both domestic and overseas laws and regulations, and maintained good insider information management by optimizing information disclosure procedures to improve the quality of information disclosure. The Bank formulated the *Policies on Information Disclosure* and the *Policies on the Management of Insider Information and Insiders*, and the Board of Directors, responsible for the information disclosure and insider information management work, authorized Secretary to the Board of Directors to take charge of the organization, coordination and implementation of the work.

The Bank implemented insider information confidentiality management and insider registration management in accordance with relevant requirements. In the event of regular performance releases and major events, the scope of insiders was strictly controlled, and registration work was carried out in a timely manner at the critical time points. Before the disclosure of insider information according to law, the Bank conducted management and monitoring on the insider information. The Bank disclosed information in a timely and fair manner, thus ensuring the authenticity, accuracy and completeness of the disclosed information and protecting the legitimate rights and interests of investors. During the reporting period, the Bank completed the preparation and disclosure of the 2022 Annual Report, the 2023 Interim Report and the 2023 Quarterly Reports as scheduled. The Bank enriched the contents of regular reports and highlighted business features and achievements to fully showcase its development strategy and operational management to both domestic and overseas investors. In accordance with both domestic and overseas regulatory requirements, the Bank fully disclosed ad hoc announcements in a timely manner, and published 92 A-share announcements and 134 H-share announcements.

XVII. INVESTOR RELATIONS MANAGEMENT

Attaching great importance to the opinions and suggestions of shareholders, the Bank formulated the shareholder communication policy and carried out annual check on it to ensure effectiveness. During the reporting period, the Bank actively conducted various activities to manage investor relations and enhance communication with investors in strict accordance with domestic and overseas laws, regulations and regulatory requirements. After the disclosure of performance reports, the Bank held meetings for performance briefing for the year 2022 and the mid-year and third quarter of 2023 using both online and offline approaches after the disclosure of the operating results. It organized roadshows for Senior Management to pay direct visits to over 30 investment institutions. It exchanged views with more than 100 investors through activities such as Themed Open Day, Investor Reception Day, meetings with institutional investors, and strategy seminars with domestic and overseas securities companies. The Bank answered over 520 phone calls from domestic and overseas investors and handled over 210 emails for inquiries. It interacted with investors via platforms including “SSE e-interaction”, and continuously updated the contents of the Bank’s website in both Chinese and English versions to keep investors informed of the information of the Bank. Also, it actively communicated with minority shareholders via shareholders’ general meetings and answered their questions of concern. With the above-mentioned measures implemented, the Bank considered that the current shareholder communication policy is sufficient and effective.

XVIII. COMPANY SECRETARY UNDER THE *HONG KONG LISTING RULES*

Mr. Zhang Xuyang and Ms. Lee Mei Yi (Tricor Services Limited) act as Joint Company Secretaries under the *Hong Kong Listing Rules*, with Mr. Zhang Xuyang as the main person of contact of the Bank. During the reporting period, Mr. Zhang Xuyang and Ms. Lee Mei Yi had participated in relevant professional training for no less than 15 hours in compliance with Rule 3.29 of the *Hong Kong Listing Rules*.

XIX. SHAREHOLDERS' RIGHTS

i. Shareholders who individually or jointly hold more than 10% of the voting shares of the Bank shall have the right to request the Board of Directors to convene an extraordinary general meeting. Such request shall be made in writing to the Board of Directors.

ii. Shareholders who individually or jointly hold more than 3% of voting shares of the Bank may provide an interim proposal and submit it in writing to the Board of Directors 12 transaction days before the shareholders' general meeting is convened. The Board of Directors shall issue a supplementary notice for the shareholders' general meeting within 2 days upon receipt of the proposal and submit such proposal to the shareholders' general meeting for approval.

iii. When shareholders who individually or jointly hold more than 10% of the voting shares of the Bank request the Board of Directors to convene an extraordinary Board meeting, Chairman of the Board of Directors shall convene and preside over the meeting within 10 days.

iv. Unless there are specified provisions regarding the rights of the holders of preference shares in laws, regulations, rules, regulatory documents and the *Articles of Association* of the Bank, all the shareholders of the Bank shall have the following rights:

1. Collecting dividends and other forms of benefits distributed on the basis of the number of shares held by them;

2. Attending or entrusting proxy to attend meetings of shareholders, speak and exercise the voting rights on Annual General Meetings;

3. Supervising business operation of the Bank and putting forward recommendations or inquiries accordingly;

4. Transferring shares in accordance with laws, regulations, rules, regulatory documents, relevant regulations of the securities regulatory authority of the jurisdiction where shares of the Bank are listed and the *Articles of Association* of the Bank;

5. Obtaining relevant information according to the *Articles of Association* of the Bank, including the *Articles of Association*, the Bank's bond stubs, the Bank's finance and accounting reports, subject to payment of the cost fees, and having the right to inspect and copy the Bank's share capital status, subject to payment of reasonable fees;

6. Participating in the distribution of the Bank's residual assets in proportion to the number of shares held by the shareholders when the Bank is terminated or liquidated;

7. Maintaining their legal rights through civil litigation or other legal means as prescribed by law and regulations, and may report relevant situations to regulatory bodies.

v. Holders of preference shares of the Bank shall be entitled to the following special rights:

1. Rights to dividends in priority to holders of ordinary shares;

2. Rights to distribution of residual assets of the Bank upon liquidation in priority to holders of ordinary shares;

3. Rights to attend and vote at shareholders' general meetings upon occurrence of prescribed events;

4. Rights to have their voting rights restored upon occurrence of prescribed events.

Please refer to the *Articles of Association* of the Bank for more contents about shareholders' rights.

As for the contact details for shareholders to communicate with or enquire of the Board, please refer to "Profile of the Bank" in this report.

XX. STATEMENT OF COMPLIANCE WITH THE *BANKING (DISCLOSURE) RULES*

The Bank has prepared the 2023 H-share financial statements in accordance with the *Banking (Disclosure) Rules* by the Hong Kong Monetary Authority.

XXI. STATEMENT ON COMPLIANCE WITH THE *CORPORATE GOVERNANCE CODE* OF *THE HONG KONG LISTING RULES*

Since its listing on HKEX, the Bank has adopted the principles as stipulated in the *Corporate Governance Code* ("CG Code") contained in Appendix C1 to the *Hong Kong Listing Rules*, and applied them in corporate governance practices. The Bank has fully complied with all the code provisions in the CG Code during the reporting period.

XXII. INTERNAL CONTROL

i. Internal control building and implementation

Adhering to the principle of prioritizing policy and system, the Bank has established the internal control and compliance management system with tiered management at the core. The first tier is the basic system based on the *Articles of Association* of the Bank, with the compliance management policies and the internal control management rules at the core, which standardizes the Bank's internal control and compliance governance framework, division of work responsibility, tool application, and risk monitoring covering identification, assessment, reporting, disposal and supervisory inspection. The second tier consists of policies such as the internal control manual, the management measures for legal compliance, risk early-warning and reporting, the management measures for compliance managers, the basic management measures for the Bank's rules and regulations, and the management measures for the compliance operation of overseas institutions, which primarily establishes a series of specific systems and mechanisms covering risk monitoring & early-warning, supervision & inspection, policy management, and assessment & rating for internal control and compliance. The third tier consists of a compilation of business management rules and regulations of various business lines and functional departments, featuring "specific rule for specific business and specific manual for specific business line". With legal compliance, simplicity, feasibility, implementability as the target, the Bank reviews the rules and regulations annually to continuously improve their effectiveness, applicability and implementability.

In accordance with regulatory requirements, the Bank strengthened the implementation of the unified national accounting policies, strictly implemented the Accounting Standards for Business Enterprises, and carefully rectified accounting information quality problems identified in various regulatory inspections. Adhering to the principle of "full coverage of rectification and zero tolerance for problems", the Bank fully disclosed the rectification achievements at the current stage in this Report.

Such system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misrepresentation or loss.

For information about the Bank's risk management system and risk management work during the reporting period, please refer to "Management Discussion and Analysis".

The Board of Directors of the Bank regularly reviews and evaluates corporate governance, risk management and internal control of the Bank. The Board of Directors considered that the Bank's corporate governance, risk management and internal control mechanism were practical and effective during the reporting period.

ii. Internal control of subsidiaries

The Bank continued to propel its subsidiaries to improve internal control and compliance management, and supported its subsidiaries to adjust organizational structure based on their business needs, and optimize management mechanism by applying external regulations in internal business operation and implementing regulatory policies. It coordinated the management of internal control and compliance matters of subsidiaries covering institutional' construction, supervisory inspection, and routine and special reporting mechanism, consolidating the foundation of internal control management, and thus ensuring the consistency, completeness, effectiveness and timeliness of the internal control mechanism of subsidiaries. The Bank also supervised and guided subsidiaries to comprehensively rectify the problems identified in internal and external inspections, and consolidated the achievements in internal control management.

iii. Internal control assessment report

Based on the identification of material defects in the internal control over financial reporting of the Bank, the Bank, as at the reference date (i.e. 31 December 2023) for the internal control assessment report, had not discovered any material defects in the internal control over financial reporting, and had maintained effective internal control over financial reporting in all material aspects in accordance with the enterprise internal control system and relevant regulations.

Based on the identification of material defects in the internal control unrelated to financial reporting of the Bank, the Bank, as at the reference date (i.e. 31 December 2023) for the internal control assessment report, had not discovered any material defects in the internal control unrelated to financial reporting.

From the reference date of internal control assessment report to the date of release of the internal control assessment report, there was no factor which could affect the assessment conclusion on the effectiveness of internal control.

The *2023 Internal Control Assessment Report* of the Bank had been published in full text on the websites of SSE, HKEXnews and the Bank.

iv. Audit report on internal control

EY Hua Ming audited the internal control of the Bank and issued an audit opinion: As at 31 December 2023, the Bank maintained an effective internal control over financial reporting in all material aspects in accordance with the *Basic Standards for Enterprise Internal Control* and relevant regulations. The audit report had been published on the websites of SSE, HKEXnews and the Bank.

XXIII. MAJOR CHANGE IN THE *ARTICLES OF ASSOCIATION* OF THE BANK DURING THE REPORTING PERIOD

In 2022, in accordance with requirements of former CBIRC, CSRC, SSE and other regulators, the Bank revised the *Articles of Association*. The relevant proposal was reviewed and approved at the Bank's 2022 Second Extraordinary General Meeting on 29 December 2022, and had come into effect after the approval of NFRA on 31 August 2023.

Information on the amendments to the *Articles of Association* of the Bank had been published on the websites of SSE, HKEXnews and the Bank.

Address Book of Head Office and Branches

Name	Address	P.C.	Tel	Fax
Head Office	China Everbright Center, No. 25 Taipingqiao Street, Xicheng District, Beijing	100033	010-63636363	010-63639066
Beijing Branch	No. 1 Xuanwumen Inner Street, Xicheng District, Beijing	100031	010-66567699	010-66567411
Shanghai Branch	No. 1118 Century Avenue, Pudong New Area, Shanghai	200120	021-63606360	021-23050088
Tianjin Branch	Annex Building of Zhonglian Building, No. 83 Qufu Avenue, Heping District, Tianjin	300041	022-23300167	022-23300229
Chongqing Branch	No. 168 Minzu Road, Yuzhong District, Chongqing	400010	023-63792773	023-63792764
Shijiazhuang Branch	No. 56 Yuhua East Road, Qiaodong District, Shijiazhuang	050000	0311-88628882	0311-88628883
Taiyuan Branch	No. 295 Yingze Street, Yingze District, Taiyuan	030001	0351-3839008	0351-3839108
Huhhot Branch	Tower D, Dongfangjunzuo, Chilechuan Street, Saihan District, Huhhot	010096	0471-4955882	0471-4955800
Dalian Branch	No. 4 Wuwu Road, Zhongshan District, Dalian	116001	0411-39037007	0411-39037015
Shenyang Branch	No. 156 Heping North Street, Heping District, Shenyang	110003	024-83255555	024-23283218
Changchun Branch	No. 2677 Jiefang Road, Chaoyang District, Changchun	130061	0431-88400080	0431-88400121
Heilongjiang Branch	No. 278 Dongdazhi Street, Nangang District, Harbin	150001	0451-53618775	0451-53618775
Nanjing Branch	No. 120 Hanzhong Road, Gulou District, Nanjing	210029	025-84787610	025-84712699
Suzhou Branch	No. 188 Xinghai Street, Industrial Park District, Suzhou	215021	0512-68662988	0512-68668766
Wuxi Branch	No. 1 Renmin Middle Road, Chong'an District, Wuxi	214023	0510-81802528	0510-81802535
Hangzhou Branch	Zheshang Times Building, No. 1 Miduqiao Road, Gongshu District, Hangzhou	310006	0571-87895358	0571-87895367
Ningbo Branch	Building 1, Hengfu Plaza, No. 828 Fuming Road, Jiangdong District, Ningbo	315040	0574-87300888	0574-87317230
Hefei Branch	No. 200 Changjiang West Road, Shushan District, Hefei	230001	0551-65101888	0551-65101726
Fuzhou Branch	Building 1, Zhengxiang Center, No. 153 Wuyi North Road, Gulou District, Fuzhou	350001	0591-87760707	0591-87835838
Xiamen Branch	No. 160 Hubin Middle Road, Siming District, Xiamen	361004	0592-2221666	0592-2237788
Nanchang Branch	No. 1333 Fenghezhong Avenue, Honggutan New Area, Nanchang	330000	0791-86662030	0791-86665448
Jinan Branch	No. 85 Jingqi Road, Shizhong District, Jinan	250001	0531-86155965	0531-86155800
Qingdao Branch	No. 69 Hongkong West Road, Shinan District, Qingdao	266071	0532-83893801	0532-83893800
Yantai Branch	No. 111 Nandajie Street, Zhifu District, Yantai	264000	0535-6658506	0535-6261796
Zhengzhou Branch	No. 22 Middle Ring Road, Financial Island, Zhengzhou Area (Zhengdong) of Henan Pilot Free Trade Zone, Zhengzhou	450000	0371-65766001	0371-65766000
Wuhan Branch	No. 143-144 Yanjiang Avenue, Jiang'an District, Wuhan	430014	027-82796303	027-82801976

Name	Address	P.C.	Tel	Fax
Changsha Branch	No. 142 Section 3 of Furong Middle Road, Tianxin District, Changsha	410015	0731-85363527	0731-85523677
Guangzhou Branch	No. 685 Tianhe North Road, Tianhe District, Guangzhou	510635	020-38730066	020-38730049
Shenzhen Branch	No. 18 Zizhuqi Avenue, Zhuzilinsi Road, Futian District, Shenzhen	518040	0755-83053388	0755-83242955
Nanning Branch	Taiping Financial Mansion, No. 16 Songxiang Road, Liangqing District, Nanning	530201	0771-5558638	0771-5568100
Haikou Branch	Jinlong City Plaza Building, South of Jinlong Road, Longhua District, Haikou	570125	0898-68539999	0898-68520711
Chengdu Branch	No. 79 Dacisi Road, Jinjiang District, Chengdu	610017	028-86665566	028-86720299
Kunming Branch	No. 28 Renmin Middle Road, Wuhua District, Kunming	650021	0871-63111068	0871-63111078
Xi'an Branch	No. 33 Hongguang Street, Lianhu District, Xi'an	710002	029-87236013	023-87236010
Urumqi Branch	No. 177 Jiefang North Road, Tianshan District, Urumqi	830002	0991-7659851	0991-7706607
Guiyang Branch	West Tower III, Financial Center, Zone B, Convention and Exhibition City, Changling North Road, Guanshanhu District, Guiyang	550081	0851-82590249	0851-82590335
Lanzhou Branch	No. 555 Donggang West Road, Chengguan District, Lanzhou	730000	0931-8688600	0931-8688701
Yinchuan Branch	No. 219 Jiefang West Road, Xingqing District, Yinchuan	750001	0951-8773000	0951-8773080
Xining Branch	No. 57-7 Wusi West Road, Chengxi District, Xining	810008	0971-6363263	0971-6236234
Lhasa Branch	Taihe International Culture Square, No. 7 Jinzhu Middle Road, Chengguan District, Lhasa	850000	0891-6597000	0891-6597000
Hong Kong Branch	23/F, Everbright Center, 108 Gloucester Road, Wan Chai, Hong Kong SAR	–	00852-31239888	00852-21432188
Seoul Branch	23/F, Youngpoong Building, 41 Cheonggyecheon-ro, Jongro-ku, Seoul, Republic of Korea	03188	00822-37883700	00822-37883701
Luxembourg Branch	10 Avenue Emile Reuter, Luxembourg City, Grand Duchy of Luxembourg	L-2420	00352-2666888	00352-266688124
Sydney Branch	28/F, International Tower 1, 100 Barangaroo Avenue, Sydney, Commonwealth of Australia	NSW2000	0061-2-79238888	0061-2-79238800
Macao Branch	23F, Finance and IT Center of Macao, 320 Avenida Doutor Mario Soares, Macao SAR	–	00853-82966100	00853-82966150
Tokyo Representative Office	1 Chome-4-1 Marunouchi, Chiyoda City, Tokyo, Japan	100-0005	0081-3-62591786	–


+1.035
+5.724%

Independent Auditor's Report and Financial Statements

Independent Auditor's Report 157

Consolidated Financial Statements of 2023 164

Notes to the Consolidated Financial Statements of 2023 171

Unaudited Supplementary Financial Information of 2023 312

Independent Auditor's Report

To the shareholders of China Everbright Bank Company Limited
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of China Everbright Bank Company Limited (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Expected credit losses for loans and advances to customers	
The Group uses a number of models and assumptions in the measurement of expected credit losses, for example: • Significant increase in credit risk – The selection of criteria for identifying significant increase in credit risk is highly dependent on judgement and may have a significant impact on the expected credit losses for loans and advances with longer remaining periods to maturity; • Models and parameters – Inherently complex models are used to measure expected credit losses. Modelled parameters have numerous inputs and the parameter estimation involves many judgements and assumptions; • Forward-looking information – Expert judgement is used to create macroeconomic forecasts and to consider the impact on expected credit losses under multiple economic scenarios given different weights; • Whether financial assets are credit-impaired – The determination of whether a credit impairment has occurred requires consideration of a number of factors and the measurement of the expected credit loss is dependent on estimates of expected future cash flows. Since expected credit losses measurement involves many judgements and assumptions, and in view of the significance of the amounts (as at 31 December 2023, gross loans and advances to customers amounted to RMB3,798.296 billion, representing 56.08% of total assets, and impairment allowance for loans and advances to customers amounted to RMB86.061 billion), impairment of loans and advances is considered a key audit matter. Relevant disclosures are included in Note III 1, Note V 16 and Note V 50(a) to the consolidated financial statements.	We evaluated and tested the effectiveness of the design and implementation of key controls related to the credit approval process, post approval credit management, loan rating system, collateral monitoring and loan impairment assessment, including relevant data quality and information systems. We adopted a risk-based sampling approach in our loan review procedures. We assessed the debtors' repayment capacity and evaluated the Group's loan grading, taking into consideration post-lending investigation reports, debtors' financial information, collateral valuation reports and other available information. With the support of our internal credit risk modelling experts, we evaluated and tested the important parameters of the expected credit loss model, management's major judgements and related assumptions, mainly focusing on the following aspects: 1. Expected credit loss model: • In response to the macroeconomic changes, we assessed the reasonableness of the expected credit loss model methodology and related parameters, including probability of default, loss given default, risk exposure, risk grouping and whether there was a significant increase in credit risk. • We assessed the forward-looking information management used to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions and the weight of multiple macroeconomic scenarios; and • We assessed the reasonableness of management's determination of credit impairment. For credit-impaired loans and advances, we analysed the amount, timing and probability of management's estimated future cash flows, especially the recoverable cash flows from collateral.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Expected credit losses for loans and advances to customers (continued)	
	2. Design and operating effectiveness of key controls: • We evaluated and tested the data and processes used to determine expected credit losses, including loan business data, internal credit rating data, macroeconomic data, etc., and the impairment system computational logic, as well as inputs, outputs and interfaces among relevant systems; and • We evaluated and tested key controls over the expected credit loss models, including approval of model changes, ongoing monitoring model performance, model validation and parameter calibration. We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of credit risk and the impairment allowance.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of financial instruments	
The Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques usually involve subjective judgement and assumptions. With different valuation techniques and assumptions applied, the valuation results can vary significantly. As at 31 December 2023, the book value of financial assets and financial liabilities measured at fair value amounted to RMB1,213.379 billion and RMB13.946 billion respectively, representing 17.92% and 0.22% of total assets and total liabilities, respectively. Financial instruments which required either direct (i.e., prices) or indirect inputs, hence categorised within Level 2 of the fair value hierarchy, represented 79.53% of total financial assets measured at fair value; and financial instruments which required significant unobservable inputs, hence categorised within Level 3 of the fair value hierarchy, represented 0.93% of total financial assets measured at fair value. Due to the significance of financial instruments measured at fair value and the uncertainty in valuation, it is considered a key audit matter. Relevant disclosures are included in Note III 2 and Note V 51(c) to the consolidated financial statements.	We assessed and tested the design and operating effectiveness of key controls related to the valuation of financial instruments. We evaluated the valuation techniques, inputs and assumptions used by the Group through comparison with the valuation techniques commonly used in the markets, validation of observable inputs using external market data, and comparison with valuation outcomes obtained from various pricing sources. We assessed and tested the design and operating effectiveness of the Group's controls related to disclosures of fair value.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Consolidation assessment of and disclosures about structured entities	
In the process of conducting business of financial investment, asset management and credit asset transfer, the Group issued financial products and held the rights and interests of different structured entities, including wealth management products, funds and trust plans. The Group determines whether these structured entities are to be consolidated based on the assessment of whether the Group has control over them through taking into consideration the power arising from rights, variable returns, and the link between power and returns. The assessment of the Group's control over structured entities involves significant judgement and estimation such as the purpose and design of structured entities, its ability to direct relevant activities, interests it holds directly or indirectly, the performance fee obtained, profit and the exposure to loss from providing credit enhancement or liquidity support. The comprehensive analysis of these factors and the conclusion of whether the Group has control rights involve significant management judgement and estimation. Due to the significance of the unconsolidated structured entities and the complexity of judgement exercised by management, it is considered a key audit matter. Relevant disclosures are included in Note III 6 and Note V 43 to the consolidated financial statements.	We assessed and tested the design and operating effectiveness of the key controls relating to the Group's assessment of whether it controls a structured entity. We assessed the Group's analysis and conclusions on whether or not it controls structured entities by reviewing relevant term sheets to analyse whether the Group has the obligation to absorb any loss of structured entities, as well as the Group's analysis on its power over structured entities, the magnitude and variability of variable returns from its involvement with structured entities. We also assessed whether the Group had provided liquidity support or credit enhancement to structured entities, as well as fairness of transactions between the Group and structured entities. We assessed and tested the design and operating effectiveness of the Group's controls over its unconsolidated structured entities.

OTHER INFORMATION INCLUDED IN THE BANK'S 2023 ANNUAL REPORT

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Bank are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Bank either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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 Ng Chi Keung.

Certified Public Accountants
Hong Kong
27 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

	Note V	2023	2022
Interest income		250,809	241,309
Interest expense		(143,329)	(127,654)
Net interest income	1	107,480	113,655
Fee and commission income		26,724	30,077
Fee and commission expense		(3,026)	(3,333)
Net fee and commission income	2	23,698	26,744
Net trading gains	3	3,233	2,470
Dividend income		44	49
Net gains arising from investment securities	4	8,926	6,416
Net (losses)/gains on derecognition of financial assets measured at amortised cost		(555)	858
Net foreign exchange gains		1,125	484
Other net operating income		1,784	1,189
Operating income		145,735	151,865
Operating expenses	5	(43,909)	(45,227)
Credit impairment losses	8	(52,075)	(50,600)
Other impairment losses		(30)	(9)
Operating profit		49,721	56,029
Gains/(losses) on investment of joint ventures		36	(63)
Profit before tax		49,757	55,966
Income tax	9	(8,681)	(10,926)
Net profit		41,076	45,040
Net profit attributable to:			
Equity shareholders of the Bank		40,792	44,807
Non-controlling interests		284	233
		41,076	45,040
Earnings per share			
Basic earnings per share (in RMB/share)	10	0.62	0.74
Diluted earnings per share (in RMB/share)	10	0.61	0.67

The notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

	Note V	2023	2022
Net profit		41,076	45,040
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss:			
– Remeasurement of supplementary retirement benefits		(192)	(135)
– Equity instruments at fair value through other comprehensive income			
– Net change in fair value		6	–
– Related income tax effect	23(b)	(2)	–
Subtotal		(188)	(135)
Items that will be reclassified to profit or loss:			
– Debt instruments at fair value through other comprehensive income			
– Net change in fair value		3,824	(5,046)
– Changes in allowance for expected credit losses		(12)	834
– Reclassified to the profit or loss upon disposal		146	(774)
– Related income tax effect	23(b)	(987)	1,201
– Cash flow hedge		4	–
– Exchange differences on translation of financial statements		49	180
Subtotal		3,024	(3,605)
Other comprehensive income, net of tax		2,836	(3,740)
Total comprehensive income		43,912	41,300
Total comprehensive income attributable to:			
Equity shareholders of the Bank		43,627	41,065
Non-controlling interests		285	235
		43,912	41,300

The notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2023

(Expressed in millions of Renminbi, unless otherwise stated)

	Note V	31 December 2023	31 December 2022
Assets			
Cash and deposits with the central bank	11	349,184	356,426
Deposits with banks and other financial institutions	12	39,942	32,073
Precious metals		6,916	7,187
Placements with banks and other financial institutions	13	142,242	129,979
Derivative financial assets	14	13,324	15,730
Financial assets held under resale agreements	15	67,500	28
Loans and advances to customers	16	3,712,925	3,499,351
Finance lease receivables	17	99,158	108,012
Financial investments	18	2,241,462	2,046,612
– Financial assets at fair value through profit or loss		432,896	403,617
– Debt instruments at fair value through other comprehensive income		561,047	449,596
– Equity instruments at fair value through other comprehensive income		1,132	1,126
– Financial investments measured at amortised cost		1,246,387	1,192,273
Investment in joint ventures	19	204	165
Property and equipment	20	25,838	26,174
Right-of-use assets	21	10,408	10,281
Goodwill	22	1,281	1,281
Deferred tax assets	23	33,974	32,703
Other assets	24	28,438	34,508
Total assets		6,772,796	6,300,510
Liabilities and equity			
Liabilities			
Due to the central bank	26	99,633	63,386
Deposits from banks and other financial institutions	27	552,326	540,668
Placements from banks and other financial institutions	28	194,205	188,601
Financial liabilities at fair value through profit or loss	29	–	27
Derivative financial liabilities	14	13,946	14,261
Financial assets sold under repurchase agreements	30	73,115	92,980
Deposits from customers	31	4,094,528	3,917,168
Accrued staff costs	32	20,064	19,006
Taxes payable	33	7,304	11,141
Lease liabilities	34	10,349	10,151
Debt securities issued	35	1,099,326	875,971
Other liabilities	36	53,215	57,137
Total liabilities		6,218,011	5,790,497

The notes form an integral part of these consolidated financial statements.

	Note V	31 December 2023	31 December 2022
Equity			
Share capital	37	59,086	54,032
Other equity instruments	38	104,899	109,062
of which: Preference shares		64,906	64,906
Perpetual bonds		39,993	39,993
Capital reserve	39	74,473	58,434
Other comprehensive income	40	2,245	(590)
Surplus reserve	41	26,245	26,245
General reserve	41	86,161	81,401
Retained earnings		199,282	179,299
Total equity attributable to equity shareholders of the Bank		552,391	507,883
Non-controlling interests		2,394	2,130
Total equity		554,785	510,013
Total liabilities and equity		6,772,796	6,300,510

Approved and authorised for issue by the board of directors on 27 March 2024.

Wu Lijun	**Wang Zhiheng**	**Lu Jian**
Chairman,	*President,*	*General Manager of*
Non-executive Director	*Executive Director*	*Financial Accounting Department*

The notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

2023		Attributable to equity shareholders of the Bank											
			Other equity instruments				Other					Non-	
	Note V	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	comprehensive income	Surplus reserve	General reserve	Retained earnings	Subtotal	controlling interests	Total
Balance at 1 January 2023		54,032	64,906	39,993	4,163	58,434	(590)	26,245	81,401	179,299	507,883	2,130	510,013
Changes in equity for the year:													
Net profit		–	–	–	–	–	–	–	–	40,792	40,792	284	41,076
Other comprehensive income	40	–	–	–	–	–	2,835	–	–	–	2,835	1	2,836
Investment and reduction of owners													
– Convertible corporate bonds to increase share capital and capital reserve		5,054	–	–	(4,163)	16,039	–	–	–	–	16,930	–	16,930
Appropriation of profit:	42												
– Appropriation to general reserve		–	–	–	–	–	–	–	4,760	(4,760)	–	–	–
– Dividends to ordinary shareholders		–	–	–	–	–	–	–	–	(11,238)	(11,238)	(21)	(11,259)
– Dividends to other equity instrument holders		–	–	–	–	–	–	–	–	(4,811)	(4,811)	–	(4,811)
Balance at 31 December 2023		59,086	64,906	39,993	–	74,473	2,245	26,245	86,161	199,282	552,391	2,394	554,785

2022		Attributable to equity shareholders of the Bank											
			Other equity instruments				Other					Non-	
	Note V	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	comprehensive income	Surplus reserve	General reserve	Retained earnings	Subtotal	controlling interests	Total
Balance at 1 January 2022		54,032	64,906	39,993	4,163	58,434	3,152	26,245	75,596	155,968	482,489	1,877	484,366
Changes in equity for the year:													
Net profit		–	–	–	–	–	–	–	–	44,807	44,807	233	45,040
Other comprehensive income	40	–	–	–	–	–	(3,742)	–	–	–	(3,742)	2	(3,740)
Capital injection by non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	38	38
Appropriation of profit:	42												
– Appropriation to general reserve		–	–	–	–	–	–	–	5,805	(5,805)	–	–	–
– Dividends to ordinary shareholders		–	–	–	–	–	–	–	–	(10,860)	(10,860)	(20)	(10,880)
– Dividends to other equity instrument holders		–	–	–	–	–	–	–	–	(4,811)	(4,811)	–	(4,811)
Balance at 31 December 2022		54,032	64,906	39,993	4,163	58,434	(590)	26,245	81,401	179,299	507,883	2,130	510,013

The notes form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

	2023	2022
Cash flows from operating activities		
Profit before tax	49,757	55,966
Adjustments for:		
Credit impairment losses	52,075	50,600
Other impairment losses	30	9
Depreciation and amortisation	6,730	6,358
Unwinding of discount	(1,905)	(758)
Dividend income	(44)	(49)
Unrealised foreign exchange losses/(gains)	1,874	(644)
Interest income from investment securities and net gains on disposal	(65,608)	(61,804)
Net losses/(gains) on derecognition of financial assets measured at amortised cost	555	(858)
(Gains)/losses on investments of joint ventures	(36)	63
Net gains on disposal of trading securities	(3,164)	(1,979)
Revaluation (gains)/losses on financial instruments at fair value through profit	(1,135)	1,656
Interest expense on debt securities issued	25,040	23,120
Interest expense on lease liabilities	397	428
Net losses on disposal of property and equipment	21	32
	64,587	72,140
Changes in operating assets		
Net decrease/(increase) in deposits with the central bank, banks and other financial Institutions	2,385	(980)
Net increase in placements with banks and other financial institutions	(28,084)	(35,276)
Net decrease/(increase) in financial assets held for trading	72,860	(56,455)
Net increase in loans and advances to customers	(265,835)	(313,242)
Net (increase)/decrease in financial assets held under resale agreements	(67,427)	31,138
Net decrease in other operating assets	24,294	20,108
	(261,807)	(354,707)
Changes in operating liabilities		
Net increase in deposits from banks and other financial institutions	11,329	15,266
Net increase in placements from banks and other financial institutions	5,585	8,796
Net (decrease)/increase in financial assets sold under repurchase agreements	(19,935)	12,275
Net increase/(decrease) in amounts due to the central bank	35,410	(37,001)
Net increase in deposits from customers	176,978	227,572
Income tax paid	(14,149)	(18,110)
Net (decrease)/increase in other operating liabilities	(1,612)	17,371
	193,606	226,169
Net cash used in operating activities	(3,614)	(56,398)

The notes form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

	Note V	2023	2022
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		1,059,289	733,672
Investment income received		62,565	60,941
Proceeds from disposal of property and equipment and other long-term assets		43	16
Payments on acquisition of investments		(1,322,568)	(893,056)
Payments on acquisition of property and equipment, intangible assets and other long-term assets		(5,154)	(4,667)
Net cash used in investing activities		(205,825)	(103,094)
Cash flows from financing activities			
Capital injected into subsidiaries by non-controlling shareholders		–	38
Proceeds from insurance of debts		1,259,529	930,514
Repayments of debts issued		(1,020,256)	(818,471)
Interest paid on debt securities issued		(24,028)	(22,724)
Dividends paid		(16,070)	(15,690)
Other net cash flows from financing activities		(3,156)	(3,101)
Net cash from financing activities		196,019	70,566
Effect of foreign exchange rate changes on cash and cash equivalents		658	3,007
Net decrease in cash and cash equivalents	46(a)	(12,762)	(85,919)
Cash and cash equivalents as at 1 January		136,664	222,583
Cash and cash equivalents as at 31 December	46(b)	123,902	136,664
Interest received		192,339	186,631
Interest paid (excluding interest expense on debt securities issued)		(116,483)	(92,068)

The notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

I BACKGROUND INFORMATION

China Everbright Bank Company Limited (the "Bank") commenced its operations in Beijing, the People's Republic of China (the "PRC") on 18 August 1992. The A-Shares and H-Shares of the Bank were listed on the Shanghai Stock Exchange in August 2010 and the Stock Exchange of Hong Kong Limited in December 2013, respectively.

The Bank is licensed as a financial institution by the China Banking and Insurance Regulatory Commission (the "CBIRC"), formerly the China Banking Regulatory Commission, No. B0007H111000001 and is issued the business licence of legal enterprise No. 91110000100011743X by the State Administration of Industry and Commerce of the PRC. The registered address is No.25, Taipingqiao Ave, Everbright Center, Xicheng District, Beijing, People's Republic of China.

The principal activities of the Bank and its subsidiaries (Note V 19) (collectively the "Group") are the provision of corporate and retail deposits, loans and advances, settlement, treasury business and other financial services as approved by the CBIRC. The Group mainly operates in Chinese Mainland and also has a number of overseas branches and subsidiaries. For the purpose of these financial statements, Chinese Mainland refers to the PRC, excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"),the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. Overseas refers to countries and regions other than Chinese Mainland.

These financial statements have been approved by the Board of Directors on 27 March 2024.

II MATERIAL ACCOUNTING POLICIES

1 Basis of preparation

The consolidated financial statements of the Group 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 comply with the disclosure requirements of the Hong Kong Companies Ordinance.

Financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments), as well as financial assets at fair value through other comprehensive income are measured at their fair values in the consolidated financial statements. Other accounting items are measured at their historical costs. Impairment is recognised if there is objective evidence of impairment of assets.

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.

(Expressed in millions of Renminbi, unless otherwise stated)

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

1 Basis of preparation (continued)

As a financial institution incorporated in the PRC and listed on the Shanghai Stock Exchange, the Group also prepared its consolidated financial statements for the reporting period in accordance with the "Accounting Standards for Business Enterprises-Basic Standard" issued by the Ministry of Finance of the People's Republic of China (the "MOF"), as well as additional specific accounting standards, the Application Guide and Interpretations of Accounting Standards and other relevant regulations (collectively known as the "PRC GAAP"). There is no difference in the net profit for the year or total equity as at the end of the year between the Group's consolidated financial statements prepared under IFRSs and those prepared under PRC GAAP.

1.1 Standards, amendments and interpretations effective in 2023

On 1 January 2023, the Group applied the following new and revised standards for the first time in 2023.

IFRS 17 and Amendments	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach), a simplified approach (the premium allocation approach) mainly for short-duration contracts. The new standard had no impact on the Group's consolidated financial statements.

Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in Note II to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

1 Basis of preparation (continued)

1.1 Standards, amendments and interpretations effective in 2023 (continued)

Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The adoption of amendments to IAS 12 did not have any material impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 2023 and 2022.

Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Base on the assessment, the Group does not expect a material exposure to Pillar Two income taxes.

1.2 Standards and amendments that are not yet effective and have not been early adopted by the Group in 2023

		Effective for annual periods beginning on or after
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*	1 January 2024
Amendments to IAS 21	*Lack of Exchangeability*	1 January 2025
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Effective date has been deferred indefinitely

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

1 Basis of preparation (continued)

1.2 Standards and amendments that are not yet effective and have not been early adopted by the Group in 2023 (continued)

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right, that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

2 Consolidation

2.1 Subsidiaries

Subsidiaries are all entities (including corporates, divided parts of associates, and structured entities controlled by corporates) over which the Group has control. That is the Group controls an entity when it is exposed, 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. The existence and effect of potential voting rights that are currently exercisable or convertible and rights arising from other contractual arrangements are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. If changes in facts and circumstances result in changes in elements involved in the definition of control, the Group will re-evaluate whether it still has control over subsidiaries.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

If the Group acquires a subsidiary through a merger of companies under common control, the difference between the book value of the net assets acquired by the merging parties and the book value of the merger consideration paid (or the total par value of shares issued) is adjusted to capital surplus; if capital surplus is not sufficient to offset the difference, retained earnings are adjusted.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Bank's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments, but does not include acquisition-related costs, which are expensed as incurred. The dividends or profits declared to distribute by the invested entity shall be recognised by the Bank as the current investment income of subsidiaries.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

2 Consolidation (continued)

2.2 Joint ventures

Joint ventures exist where the Group has a contractual arrangement with one or more parties to undertake economic activities which are subject to joint control.

Investments in joint ventures are initially recognised at cost and are accounted for using the equity method of accounting. The Group's "Investments in associates and joint ventures" includes goodwill.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group assesses at each financial reporting date whether there is objective evidence that investments in joint ventures are impaired. Impairment losses are recognised for the amounts by which the investments in joint ventures' carrying amounts exceed their recoverable amounts. The recoverable amounts are the higher of investments in associates and joint ventures' fair value less costs to sell and value in use.

3 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, non-restricted balances with central banks, short-term deposits and placements with banks and other financial institutions as defined above.

4 Foreign currency translation

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions.

Monetary assets and liabilities denominated in foreign currencies at the financial reporting date are translated at the foreign exchange rates ruling at that date. Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the statement of profit or loss, and other changes in the carrying amount are recognised in "Other comprehensive income". Translation differences on all other monetary assets and liabilities are recognised in the statement of profit or loss.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

4 Foreign currency translation (continued)

Non-monetary assets and liabilities that are measured at historical cost in foreign currencies are translated using the foreign exchange rates at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are translated using the foreign exchange rates at the date the fair value is determined. Translation differences on non-monetary financial assets classified as financial assets at fair value through other comprehensive income are recognised in "Other comprehensive income". Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognised as "Net trading gains" in the statement of profit or loss.

Assets and liabilities of foreign operations are translated to Renminbi at the spot exchange rates at the end of the year. Equity items, excluding "Retained Earnings", are translated to Renminbi at the spot exchange rates at the transaction dates. Income and expenses of foreign operation are translated to Renminbi at the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income. The translation differences accumulated in shareholders' equity with respect to a foreign operation are transferred to profit or loss in the year when the foreign operation is disposed.

5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

5.1 Recognition and de-recognition of financial instruments

The Group shall recognise a financial asset or a financial liability in its statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets (or a part of a financial asset or group of financial assets) are derecognised when the financial assets meet one of the following conditions:

(1) the contractual rights to the cash flows from the financial asset expire; or

(2) the contractual rights to the cash flows from the financial asset are transferred, or the Group undertake the obligation to pay the cash flows collected to a third party in full and on time under the "pass-through agreement" and the Group (a) transfers substantially all the risks and rewards of ownership of the financial assets or (b) where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

The Group recognises and de-recognises financial assets on the trading day when trading financial assets in a conventional way. Trading financial assets in a conventional way refers to collecting or delivering financial assets within the time limit prescribed by laws or common practices in accordance with contract provisions. The trading day refers to the date on which the Group undertakes to buy or sell financial assets.

Financial liabilities are de-recognised when they are extinguished – that is, when the obligation is discharged or cancelled, or expires. The difference between the carrying amount of the de-recognised financial liability and the consideration paid is recognised in the statement of profit or loss.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (continued)

5.2 Classification and measurement of financial assets

The Group classifies financial assets as at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Only if when the Group changes the business model for managing financial assets, the Group shall reclassify the affected financial assets.

For financial assets at fair value through profit or loss, transaction costs are directly recognised in profit or loss. For other financial assets, transaction costs are recognised in the initial measurement.

Business models

The Group's business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. If financial assets are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the business model of the financial assets is "other". The Group's assessment of the business model is performed on a financial asset portfolio basis, and determined on a reasonable expected scenario, taking into account: how cash flows were generated in the past, how the performance of the business model and the financial assets held within that business model is evaluated and reported to the Group's key management personnel; how risks are evaluated and managed; and how managers of the business are compensated.

The contractual cash flow characteristics

The assessment of contractual cash flow characteristics is to determine whether the cash flows are solely payments of principal and interest on the principal amount outstanding. Principal is the fair value of the financial asset at initial recognition. However, that principal amount may change over the life of the financial asset (for example, if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

The subsequent measurement of financial assets depends on the classification:

Financial assets at amortised cost

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income is recognised using the effective interest method for such financial assets. The gains or losses from derecognition, amendments or impairment on such financial assets are recognised in profit or loss.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (continued)

5.2 Classification and measurement of financial assets (continued)

Debt instruments at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at the fair value through other comprehensive income should be recognised in "other comprehensive income", except for interests calculated using effective interest method and foreign exchange gains and losses. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to profit or loss.

Equity instruments at fair value through other comprehensive income

The Group has irrevocably designated equity instruments that are not held for trading as financial assets at fair value through other comprehensive income. Only relevant dividend income (excluding dividend income explicitly recovered as part of investment cost) is recognised in profit or loss, and subsequent changes in fair value are recognised in other comprehensive income without provision for impairment. When financial assets are de-recognised, the accumulated gains or losses previously recognised in other comprehensive income shall be reclassified to retained earnings under equity.

Financial assets at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. Such financial assets that the Group holds are subsequently measured at fair value. Gains or losses on such financial assets are recognised in profit or loss unless it is part of a hedging relationship.

Only when an accounting mismatch can be eliminated or significantly reduced, financial assets can be designated at fair value through profits or losses at initial recognition.

When an entity classified a financial asset as a financial asset designated at fair value through profit or loss, it cannot be reclassified as other financial asset; nor can other financial assets be reclassified as financial assets designated at fair value through profit or loss after initial recognition.

In accordance with the above conditions, the financial assets designated at fair value through profit or loss held by the Group mainly include fixed interest rate personal mortgage loans for which the Group used interest rate swaps to manage the associated interest rate risk.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (continued)

5.3 Classification and measurement of financial liabilities

In addition to the issuance of financial guarantee contracts and financial liabilities arising from non-compliance with the conditions for termination of recognition of the transfer of financial assets or continued involvement in the transferred financial assets, the Group classifies financial liabilities as at fair value through profit or loss and financial liabilities measured at amortised cost. For financial liabilities at fair value through profit or loss, transaction costs are directly recognised in profit or loss. For financial liabilities measured at amortised cost, transaction costs are recognised in the initial measurement.

The subsequent measurement of financial liabilities depends on the classification:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivative financial instruments) and financial liabilities designated at fair value through profit or loss at initial recognition. Financial liabilities held for trading (including derivative financial instruments) are subsequently measured at the fair value. A gain or loss on such financial liability is recognised in profit or loss, unless it is part of hedging relationship. Financial liabilities designated at fair value through profit or loss are subsequently measured at the fair value. A gain or loss on such financial liability is recognised in profit or loss, except that the changes in the fair value of the financial liability arising from changes in the Group's own credit risk should be recognised in other comprehensive income. If the recognition of the impact arising from changes in the financial liabilities' own credit risk in other comprehensive income will create or enlarge the accounting mismatch in profit or loss, the Group shall recognise the entire gain or loss of the financial liabilities (including the impact of changes in its own credit risk) in profit or loss.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are measured using the effective interest method.

5.4 Impairment of financial instruments

The Group evaluates and confirms relevant impairment allowance for financial assets measured at amortised cost, debt instrument investments at fair value through other comprehensive income, loan commitments and financial guarantee contracts based on ECL (Note V 50(a)).

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (continued)

5.5 Financial guarantee contracts and loan commitments

Financial guarantee contracts are those contracts that require a payment to be made by the issuer to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are measured at fair value at initial recognition. For financial guarantee contracts which are not designated as at fair value through profit or loss subsequently measured at the higher of the expenditure determined by the ECL model that is required to settle any financial obligation arising at the financial reporting date, and the value initially recognised less the accumulated amortisation recognised in accordance with the guidance for revenue recognition.

Loan commitments are commitments provided by the Group to the customers to grant loans under the established contract terms during a certain period. The impairment losses of loan commitments are measured using the ECL model.

5.6 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, for example, to hedge exchange-rate risks and interest rate risks through foreign exchange forward contracts and interest rate swaps, which are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Changes in the fair value of these derivatives are recognised in profit or loss unless it is related to hedge accounting.

In terms of the hedge accounting method, the Group's hedge is classified as:

(1) Fair value hedge, refers to a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment (except the exchange rate risk);

(2) Cash flow hedge, refers to a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or the exchange rate risk contained in an unrecognised definitive commitment.

At the beginning of the hedging relationship, the Group has formally designated the hedging relationship and prepared a formal written document on the hedging relationship, risk management objectives and risk management strategy. The file specifies the hedging instrument, the hedged project, the nature of the hedged risk, and the Group's method for evaluating the effectiveness of the hedging. Hedging effectiveness refers to the degree to which the fair value or cash flow change of the hedging instrument can offset the fair value or cash flow of the hedged item caused by the hedged risk. Such hedging should be continuously evaluated for compliance with hedging effectiveness requirements on the initial designated date and subsequent periods.

The Group discontinues hedge accounting prospectively when the hedging instrument expires or is sold, terminated or exercised (the replacement or rollover of a hedging instrument into another hedging instrument does not constitute an expiration or termination), or the hedging relationship ceases to meet the updated risk management objective, or to meet other qualifying criteria for hedging accounting.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (continued)

5.6 Derivative financial instruments and hedge accounting (continued)

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

If the condition of the hedge accounting method is satisfied, it should be treated as follows:

Fair value hedge

Gains or losses arising from hedging instruments are recognised in profit or loss. The gains or losses of the hedged item due to the hedging risk exposure shall be recognised in profit or loss, and the book value of the hedged item not be measured at fair value shall be adjusted at the same time.

For the fair value hedges related to the debt instrument measured at amortised cost, the adjustment of the book value of the hedged item should be amortised by the effective interest rate method during the remaining period of the hedge and recognised in profit or loss. The amortization in accordance with the effective interest rate method may commence immediately after the adjustment of book value and shall not be later than the termination of the adjustment of the hedged item based on the change in fair value caused by the hedging risk. If the hedged item is a debt instrument at fair value through other comprehensive income, the accumulated recognised hedge gains or losses are amortised in the same way and recognised in profit or loss, but the book value of financial assets is not adjusted. If the hedged item is terminated, the unamortised fair value is recognised in profit or loss.

If the hedged item is an unrecognised firm commitment, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

Cash flow hedge

The gain or loss of the hedging instrument that belongs to the effective part should be directly recognised in other comprehensive income, and the ineffective part shall be recognised in profit or loss.

If the hedged forecast transaction subsequently confirmed as a non-financial asset or non-financial liability, or the forecast transaction of a non-financial asset or non-financial liability form a firm commitment for the applicable fair value hedge, cash flow hedge reserve original recognised in other comprehensive income shall be reclassified to the initially amount of the assets and liabilities. The remaining cash flow hedge reserve recognised in other comprehensive income shall be reclassified to profit or loss in the same periods when the hedged future cash flows affect profit or loss, such as the expected sales occur.

When the Group discontinues hedge accounting for a cash flow hedge, if the hedged future cash flows are still expected to occur, that amount accumulated in the cash flow hedge reserve shall remain in equity until the expected transaction actually occurs or the commitment is confirmed to be fulfilled. If the hedged future cash flows are no longer expected to occur, that amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (continued)

5.7 Convertible corporate bonds

Convertible bonds comprise the liability and equity components. The liability component, representing the obligation to make fixed payments of principal and interest, is classified as a liability and initially recognised at the fair value, calculated using the market interest rate of a similar liability that does not have an equity conversion option, and subsequently measured at amortised cost using the effective interest method. The equity component, representing an embedded option to convert the liability into ordinary shares, is initially recognised in "Equity" as the difference between the proceeds received from the convertible bonds as a whole and the amount of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to the allocation of proceeds.

On conversion of the bonds into shares, the amount transferred to share capital is calculated as the par value of the shares multiplied by the number of shares converted. The difference between the carrying value of the related component of the converted bonds and the amount transferred to share capital is recognised in share premium under "Capital reserve".

5.8 Transfer of financial assets

If the Group has transferred substantially all the risks and rewards of ownership of financial assets to the transferee, it shall de-recognise the financial assets; if it retains substantially all the risks and rewards of ownership of financial assets, it shall not de-recognise the financial assets.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of financial assets, it shall deal with the following situations separately: if it abandons its control over the financial assets, it should de-recognise the financial assets and recognise the assets and liabilities that arose; if it does not abandon its control over the financial assets, it shall recognise the relevant financial assets in accordance with the extent to which it continues to be involved in the transferred financial assets, and relevant liabilities are recognised accordingly.

If the Group continues to be involved in the transferred financial assets by providing a financial guarantee, the assets that arose from the continued involvement shall be determined at the lower of the book value of the financial assets and the amount of the financial guarantee. The amount of the financial guarantee refers to the maximum amount that will be required to be repaid among the consideration received.

5.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a current legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

6 Precious metals

Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value less costs to sell, and subsequent changes in fair value less costs to sell are recognised in profit or loss in the year of the change.

7 Financial assets held under resale and repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are not recognised. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

8 Property and equipment

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

The Group's property and equipment mainly comprise premises, electronic equipment, aircraft and construction in progress.

The assets purchased or constructed are initially measured at acquisition cost or deemed cost, as appropriate. Such initial cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in an asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each financial reporting date.

Gains and losses on disposals are determined by the difference between proceeds and carrying amount, after deduction of relevant taxes and expenses. These are included in the statement of profit or loss.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

8 Property and equipment (continued)

8.1 Premises, electronic equipment and others

Property and equipment are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

Asset category	Estimated useful life (years)	Estimated rate of residual value (%)	Depreciation rate (%)
Premises	30-35	3	2.8-3.2
Electronic equipment	3-5	3-5	19.0-32.3
Others	5-10	3-5	9.5-19.4

8.2 Aircraft

Aircraft are used in the Group's aircraft operating leasing business.

Aircraft are depreciated using the straight-line method over the expected useful life of 25 years, less the years in service at the time of purchase at an estimated residual value rate of 15%.

8.3 Construction in progress

Construction in progress consists of assets under construction or being installed and is stated at cost. Cost includes equipment cost, cost of construction, installation and other direct costs. Items classified as construction in progress are transferred to property and equipment when such assets are ready for their intended use and the depreciation charge commences after such assets are transferred to property and equipment.

9 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

9.1 As lessee

In addition to short-term leases and leases of low-value assets, the Group recognises the right-of-use assets and lease liabilities for the lease, and the accounting is shown in Note V 21 and Note V 34.

The incremental borrowing rate of lessee

The Group uses the incremental borrowing rate as the discount rate to calculate the present value of lease payment. When determining the incremental borrowing rate, each institution of the Group uses its economic environment and the observable interest rate as the foundation. On this basis, the applicable incremental borrowing rate is calculated through the adjustment of the reference interest rate, which is determined according to the situation of the institution and the underlying asset, the lease term, the amount of the lease liability and other specific conditions of the lease.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

9 Leases (continued)

9.1 As lessee (continued)

Short-term leases and leases of low-value assets

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease; and a lease for which the value of the individual underlying asset is relatively low when it is new as a lease of a low-value asset. The Group chooses not to recognise the right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and the rent is amortised on a straight-line basis in each period of the lease term and included in the statement of profit or loss.

9.2 As lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date.

When the Group is a lessor under finance leases, at the commencement date of the lease, the Group recognises finance lease receivable and derecognises finance lease assets. In the initial measurement of the finance lease receivable, the Group recognises the net investment of the lease as the book value. The net investment in a lease is the sum of the unguaranteed residual value and the present value of the unreceived minimum lease payment receivable at the commencement date, which is discounted by the interest rate implicit in the lease. The Group calculates and recognises the interest income in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss. Variable lease payments that are not measured as part of the net investment in the lease are recognised in profit or loss as incurred.

When the Group is a lessor under operating leases, the Group still reflects the underlying assets as the Group's assets. The rent income is amortised on a straight-line basis in each period of the lease term and recognised in the statement of profit or loss, or profit or loss as incurred.

9.3 Right-of-use assets

At the commencement date of the lease, the Group recognises a right-of-use asset, which is measured according to the cost. The cost of the right-of-use asset comprises: (1) the amount of the initial measurement of the lease liability; (2) any lease payments made at or before the commencement date of the lease less any lease incentives received; (3) any initial direct cost incurred when the Group is a lessee; and (4) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. If the Group remeasures the lease liability due to changes in the lease payment amount, the carrying amount of the right-of-use assets shall be adjusted accordingly.

The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset and the end of the lease term, whichever is shorter.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

9 Leases (continued)

9.4 Lease liability

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets. Lease payments include fixed payments and substantial fixed payments after deduction of lease incentives, variable lease payments depending on indexes or ratios, payments expected to be made based on security balances, and also include the exercise price of the purchase option or payments to exercise the option to terminate the lease, provided that the Group is reasonably certain that the option will be exercised or that the lease period reflects that the Group will exercise the option to terminate the lease.

In calculating the present value of the lease payments, the Group uses the incremental borrowing rate of lessee as the discount rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss. Variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss as incurred.

After the commencement date, the Group increases the carrying amount of the lease liability when recognising interest and decreases the carrying amount of the lease liability when paying the lease payment. The Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate if either the actual fixed payment has been changed, there is a change in the amounts expected to be payable under a residual value guarantee, there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, or there is a change in the assessment of an option to purchase, extend or terminate the underlying asset, assessed in the context of a purchase option.

10 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance, including computer software and other intangible assets.

Computer software and other intangible assets are stated at acquisition cost less accumulated amortisation and impairment. These costs are amortised on a straight-line basis over their estimated useful lives with the amortisation recognised in the statement of profit or loss.

The respective amortisation periods for intangible assets are as follows:

Asset category	Estimated useful lives (years)
Computer software	5
Others	5-10

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

11 Goodwill

Goodwill represents the excess of cost of acquisition over the Group's interest in the fair value of the identifiable net assets of the acquiree under the business combination involving entities not under common control. Goodwill is not amortised and is stated at cost less accumulated impairment loss (Note II 13). On disposal of the related cash-generating unit ("CGU") or group of CGUs, any attributable amount of purchased goodwill is written off and included in the calculation of profit or loss on disposal.

12 Repossessed assets

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The repossessed assets should be recorded at the fair value of the abandoned creditor's rights, and the relevant expenses payable for obtaining the repossessed assets should be included in the book value of the repossessed assets. When there is an indication that the net realizable value of the repossessed assets is lower than the book value, the Group will reduce the book value to the net realizable value.

13 Provision for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of the year based on the internal and external sources of information to determine whether there is any indication of impairment: property and equipment, right-of-use assets, construction in progress, intangible assets, goodwill and investments in joint ventures.

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of goodwill at no later than each year end, irrespective of whether there is any indication of impairment or not. Goodwill is allocated to the CGU, or group of CGUs, that is expected to benefit from the synergies of the combination for the purpose of impairment testing.

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 asset groups. A CGU is composed of assets directly relating to cash generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about continuing or disposing of the Group's assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called "asset") is the higher of its fair value less costs to sell and its present value of expected future cash flows. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the assets belongs.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

13 Provision for impairment losses on non-financial assets (continued)

If there is indication of impairment when testing for asset group or group of asset groups with goodwill for impairment, the Group shall first test the asset group or group of asset groups excluding goodwill for impairment and recognise the impairment loss in the statement of profit or loss. Then the Group shall test the asset group or group of asset groups including goodwill for impairment, by comparing the carrying amount with its recoverable amount. Any impairment loss shall be allocated to reduce the carrying amount of any goodwill allocated to the asset group or group of asset groups first and then pro rata on the basis of carrying amount of each of the asset group or group of asset groups (excluding goodwill).

An impairment loss in respect of goodwill is not reversed. If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects expected future cash flows, the useful life and the discount rate specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss. A provision for an impairment loss of the asset is recognised accordingly.

For the purpose of goodwill impairment testing, goodwill arising from business combination is allocated to asset group since the acquisition date. If it cannot be reliably allocated to an asset group, it should be allocated to the relevant group of asset groups. The asset group or group of asset groups is expected to benefit from the synergies of the business combination and is not larger than a segment as defined by the Group.

14 Employee benefits

Employee benefits refer to all forms of consideration and other related expenditure given by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. If the effect of discounting the benefits payable which are payable after one year from the end of the reporting period is significant, the Group will present them at their present value.

14.1 Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing funds, measured at the amount incurred or at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

All eligible employees overseas participate in local defined contribution schemes. The Group contributes to these defined contribution schemes based on the requirements of the local regulatory bodies.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

14 Employee benefits (continued)

14.2 Post-employment benefits – defined contribution plans

Pursuant to the relevant laws and regulations of the PRC, the Group participates in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of the assets or charged to profit or loss as the related services are rendered by the employees.

In addition, employees in Chinese Mainland also participate in a defined contribution retirement benefit plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year basic salaries to the Annuity Plan. The contribution is charged to profit or loss when it is incurred. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

14.3 Termination benefits

Termination benefits are payable as a result of either the Group's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Group recognises termination benefits in profit or loss at the earlier of:

– When the Group can no longer withdraw an offer of those benefits; and

– When the Group has a specific, formal restructuring plan involving payment of termination benefits, and the plan has started or the details of the plan have been notified to each affected party, so that each party has developed reasonable expectations.

14.4 Early retirement benefits

According to the Group's policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Group. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when it is incurred.

15 Other provisions and contingent liabilities

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

For a possible obligation resulting from a past transaction or event whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

16 Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding ("entrusted funds") to the Group, and the Group grants loans to third parties ("entrusted loans") under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amounts. No provision for impairment loss is made for entrusted loans.

17 Other equity instruments

Preference shares

Such preference shares or their components are initially recognised as financial assets, financial liabilities or equity instruments according to the terms of the contract, the economic substance and the definition of financial assets, financial liabilities and equity instruments.

When the issued preference shares contain equity and liability components, the Group follows the same accounting policy as for convertible bonds with equity components. For the issued preference shares which do not contain equity component, the Group follows the accounting policy for the convertible bonds with liability component only.

The issued preference shares that should be classified as equity instruments will be recognised as equity in the actual amount received. Dividends payable are recognised as distribution of profits. Equity will be written down by the redemption price for any redemptions made before maturing in accordance with contractual terms.

Perpetual bonds

The perpetual bonds issued by the Group do not include the contractual obligations to pay cash or other financial assets to other parties or exchange financial assets or financial liabilities with other parties under potential adverse conditions; and perpetual bonds issued includes no terms and arrangement that the bonds must or will alternatively be settled in the Group's own equity instruments. The perpetual bonds issued by the Group are divided into equity instruments. The handling fees and commissions incurred in issuing the perpetual bonds are divided into equity instruments, and the transaction costs are deducted from equity. The interest on perpetual bond is recognised as profit distribution at the time of declaration.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

18 Revenue recognition

18.1 Interest income

Interest income for financial assets is recognised in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

For the purchased or originated credit-impaired financial assets, the Group calculates the interest income according to the amortised cost of the financial assets and the effective interest rate after credit adjustment since the initial recognition by the Group. The effective interest rate after credit adjustment refers to the estimated future cash flows of the acquired or originated financial assets with credit impairment in the expected duration, which is converted into the interest rate of amortised cost of the financial assets.

For the financial assets acquired or originated without any credit impairment, but incurred credit impairment in the subsequent period, the Group calculates the interest income in accordance with the amortised cost and the effective interest rate of the financial assets.

18.2 Fee and commission income

The income should be recognised when the Group's performance obligation in the contract is fulfilled, which refers the revenue is recognised when the customer obtains the control right of relevant goods or services. To obtain the right of control over related goods or services means to be able to dominate the use of such goods or the provision of such services and obtain almost all economic benefits therefrom.

The Group earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income is accrued in accordance with the terms and conditions of the service agreement. For other services, fee and commission income is recognised when the transactions are completed.

18.3 Other income

Other income is recognised on an accrual basis.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

19 Expenses recognition

19.1 Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

19.2 Other expenses

Other expenses are recognised on an accrual basis.

20 Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

– when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and does not give rise to equal taxable and deductible temporary differences; and

– in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

– when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and does not give rise to equal taxable and deductible temporary differences; and

– in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year.

II MATERIAL ACCOUNTING POLICIES (CONTINUED)

20 Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

21 Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised by the Group and declared after the end of the reporting year are not recognised as a liability at the end of the year but disclosed separately in the notes to the financial statements.

22 Related parties

If a Group has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the State and that have no other related party relationships are not regarded as related parties.

23 Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system, whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance. Any segments which do not comply with the reporting of segments by division of quantities are reported at consolidation level.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Areas susceptible to changes in critical estimates and judgements, which affect the carrying value of assets and liabilities, are set out below. It is possible that actual results may be materially different from the estimates and judgements referred below.

1 Impairment losses on financial assets

The Group follows IFRS 9 to measure impairment losses of all financial assets. In this process, there are many estimates and judgements, especially the determination of the amount of impairment losses, the estimation of future contract cash flows, the value of collateral, and the criteria for judging a significant increase in credit risk. The Group's impairment measurement is impacted by many factors, which will lead to different levels of allowance for impairment.

The Group's expected credit loss calculation is the result of model output, which contains many model assumptions and parameter inputs.

The accounting judgements and estimates used in the expected credit loss model include:

- Criteria for judging a significant increase in credit risk
- Definition of credit impaired assets
- Parameters for the measurement of ECL
- Forward-looking information
- Risk grouping

2 Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values of these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis and option pricing models. The Group has established a work flow to ensure that the valuation techniques are constructed by qualified personnel and are validated and reviewed by independent personnel. Valuation techniques are certified and calibrated before implementation to ensure that the valuation result reflects the actual market conditions. Valuation models established by the Group make maximum use of market inputs and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

3 Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

4 Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and the discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

5 Depreciation and amortisation

Property and equipment and intangible assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

6 Judgement in assessing control over structured entities

The Group is involved with structured entities in its normal business course, and the Group determines whether or not to consolidate those structured entities depending on whether the Group has control over them. When assessing control over structured entities, the Group takes into consideration the power arising from rights it directly owns or indirectly owns through subsidiaries (including controlled structured entities), variable returns, and the link between power and returns.

The variable returns the Group is exposed to from its involvement with structured entities include decision makers' remuneration (such as management fees and performance-related fees), as well as other benefits (such as investment income, remuneration and exposure to loss from providing credit or liquidity support, and variable returns from transactions with structured entities). When assessing whether it controls a structured entity, the Group not only considers applicable legal or regulatory requirements, and contractual agreements, but also other circumstances where the Group may have the obligation to absorb any loss of the structured entity.

The Group reassesses whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the relevant elements of control.

IV TAXATION

The Group's main applicable taxes and tax rates are as follows:

(a) Value-added tax: value-added tax is charged at 6% and 13% on taxable added value.

(b) City construction tax: city construction tax is calculated as 1% to 7% of turnover tax paid.

(c) Education surcharge: education surcharge is calculated as 3% of turnover tax paid.

(d) Income tax: the income tax is calculated on taxable income. Taxation on the Bank and subsidiaries in Chinese Mainland is 25%. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is set off to the extent allowed under the relevant income tax laws of the PRC.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Net interest income

	Note	2023	2022
Interest income arising from			
Deposits with the central bank		4,667	4,619
Deposits with banks and other financial institutions		257	75
Placements with banks and other financial institutions		5,295	3,433
Loans and advances to customers	(a)		
– Corporate loans and advances		86,788	81,033
– Personal loans and advances		86,838	89,442
– Discounted bills		1,563	2,350
Finance lease receivables		5,503	6,084
Financial assets held under resale agreements		2,330	915
Investments		57,568	53,358
Subtotal		250,809	241,309
Interest expenses arising from			
Due to the central bank		2,471	2,218
Deposits from banks and other financial institutions		11,846	10,106
Placements from banks and other financial institutions		7,642	4,422
Deposits from customers			
– Corporate customers		65,372	64,098
– Individual customers		27,526	22,294
Financial assets sold under repurchase agreements		3,432	1,396
Debt securities issued		25,040	23,120
Subtotal		143,329	127,654
Net interest income		107,480	113,655

Note:

(a) *The interest income arising from impaired financial assets for the year ended 31 December 2023 amounted to RMB1,905 million (2022: RMB758 million).*

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 Net fee and commission income

	2023	2022
Fee and commission income		
Bank card service fees	11,215	13,067
Wealth management service fees	4,141	4,677
Settlement and clearing fees	3,782	4,271
Agency service fees	2,809	3,149
Custody and other fiduciary business fees	2,057	2,058
Acceptance and guarantee fees	1,454	1,486
Underwriting and advisory fees	1,241	1,335
Others	25	34
Subtotal	26,724	30,077
Fee and commission expense		
Bank card transaction fees	1,796	1,735
Settlement and clearing fees	801	1,135
Wealth management service fees	89	153
Underwriting and advisory fees	57	68
Acceptance and guarantee fees	7	4
Agency service fees	4	21
Others	272	217
Subtotal	3,026	3,333
Net fee and commission income	23,698	26,744

3 Net trading gains

	2023	2022
Trading financial instruments		
– Derivatives	368	191
– Debt securities	2,825	2,155
Subtotal	3,193	2,346
Precious metal contracts	40	124
Total	3,233	2,470

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Net gains arising from investment securities

	2023	2022
Net gains arising from financial investments at fair value through profit or loss	9,072	5,642
Net (losses)/gains arising from debt instruments at fair value through other comprehensive income	(833)	17
Net gains arising from loans and advances to customers at fair value through other comprehensive income	541	1,531
Net revaluation gains/(losses) reclassified from other comprehensive income on disposal	146	(774)
Total	8,926	6,416

5 Operating expenses

	Note	2023	2022
Staff costs			
– Salaries and bonuses		14,432	15,249
– Pension and annuity		2,480	2,382
– Housing allowances		1,228	1,166
– Staff welfares		851	714
– Supplementary retirement benefits		369	334
– Others		2,356	2,392
Subtotal		21,716	22,237
Premises and equipment expenses			
– Depreciation of right-of-use assets		2,830	2,760
– Depreciation of property and equipment		2,506	2,412
– Amortisation of intangible assets		1,053	850
– Rental and property management expenses		511	541
– Interest expenses on leases		397	428
– Amortisation of other long-term assets		341	336
Subtotal		7,638	7,327
Tax and surcharges		1,716	1,766
Other general and administrative expenses	(a)	12,839	13,897
Total		43,909	45,227

Note:

(a) *Other general and administrative expenses included auditor's remuneration of RMB9.90 million for the year ended 31 December 2023 (2022: RMB9.90 million).*

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 Directors' and supervisors' emoluments

The emoluments before individual income tax for directors and supervisors who held office during the reporting year are as follows:

		2023							
				Discretionary bonuses					
	Notes	Fees RMB'000	Salaries RMB'000	Paid RMB'000	Payable RMB'000	Subtotal RMB'000	Contributions to social pension schemes RMB'000	Other welfares RMB'000	Total RMB'000
Executive directors									
Wang Zhiheng	(i)	–	338	253	–	591	47	152	790
Qu Liang		–	1,084	325	–	1,409	134	152	1,695
Qi Ye	(i)	–	1,059	317	–	1,376	134	152	1,662
Yang Bingbing	(i)	–	1,059	317	–	1,376	134	152	1,662
Non-executive directors									
Wu Lijun	(ii)	–	–	–	–	–	–	–	–
Cui Yong	(ii)	–	–	–	–	–	–	–	–
Yao Wei		–	–	–	–	–	–	–	–
Zhu Wenhui	(ii)	–	–	–	–	–	–	–	–
Li Wei		–	–	–	–	–	–	–	–
Independent non-executive directors									
Shao Ruiqing		430	–	–	–	430	–	–	430
Hong Yongmiao		430	–	–	–	430	–	–	430
Li Yinquan		430	–	–	–	430	–	–	430
Han Fuling		420	–	–	–	420	–	–	420
Liu Shiping		430	–	–	–	430	–	–	430
Huang Zhiling	(ii)	–	–	–	–	–	–	–	–

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 Directors' and supervisors' emoluments (continued)

The emoluments before individual income tax for directors and supervisors who held office during the reporting year are as follows: (continued)

		2023							
				Discretionary bonuses					
	Notes	Fees RMB'000	Salaries RMB'000	Paid RMB'000	Payable RMB'000	Subtotal RMB'000	Contributions to social pension schemes RMB'000	Other welfares RMB'000	Total RMB'000
Supervisors									
Wu Junhao		–	–	–	–	–	–	–	–
Li Yinzhong		–	–	–	–	–	–	–	–
Wang Zhe		330	–	–	–	330	–	–	330
Qiao Zhimin		340	–	–	–	340	–	–	340
Chen Qing		–	–	–	–	–	–	–	–
Shang Wencheng		–	771	1,449	–	2,220	131	152	2,503
Yang Wenhua		–	780	1,384	–	2,164	134	152	2,450
Lu Jian		–	745	1,165	–	1,910	116	152	2,178
Former non-executive directors									
Wang Jiang	(ii)	–	–	–	–	–	–	–	–
Yao Zhongyou	(ii)	–	–	–	–	–	–	–	–
Liu Chong	(ii)	–	–	–	–	–	–	–	–
Former independent non-executive director									
Wang Liguo	(ii)	350	–	–	–	350	–	–	350
Former supervisor									
Lu Hong	(ii)	–	939	282	–	1,221	112	126	1,459

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 Directors' and supervisors' emoluments (continued)

The emoluments before individual income tax for directors and supervisors who held office during the reporting year are as follows: (continued)

	2022							
			Discretionary bonuses					
	Fees RMB'000	Salaries RMB'000	Paid RMB'000	Payable RMB'000	Subtotal RMB'000	Contributions to social pension schemes RMB'000	Other welfares RMB'000	Total RMB'000
Executive directors								
Qu Liang	–	1,537	551	–	2,088	141	139	2,368
Wang Zhiheng	–	–	–	–	–	–	–	–
Non-executive directors								
Wang Jiang	–	–	–	–	–	–	–	–
Wu Lijun	–	–	–	–	–	–	–	–
Yao Zhongyou	–	–	–	–	–	–	–	–
Yao Wei	–	–	–	–	–	–	–	–
Liu Chong	–	–	–	–	–	–	–	–
Li Wei	–	–	–	–	–	–	–	–
Independent non-executive directors								
Wang Liguo	420	–	–	–	420	–	–	420
Shao Ruiqing	430	–	–	–	430	–	–	430
Hong Yongmiao	430	–	–	–	430	–	–	430
Li Yinquan	430	–	–	–	430	–	–	430
Han Fuling	420	–	–	–	420	–	–	420
Liu Shiping	394	–	–	–	394	–	–	394

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 Directors' and supervisors' emoluments (continued)

The emoluments before individual income tax for directors and supervisors who held office during the reporting year are as follows: (continued)

	2022							
			Discretionary bonuses			Contributions to social pension schemes	Other welfares	
	Fees RMB'000	Salaries RMB'000	Paid RMB'000	Payable RMB'000	Subtotal RMB'000	RMB'000	RMB'000	Total RMB'000
Supervisors								
Lu Hong	–	1,569	583	–	2,152	141	139	2,432
Wu Junhao	–	–	–	–	–	–	–	–
Li Yinzhong	–	–	–	–	–	–	–	–
Wang Zhe	330	–	–	–	330	–	–	330
Qiao Zhimin	340	–	–	–	340	–	–	340
Chen Qing	–	–	–	–	–	–	–	–
Shang Wencheng	–	717	1,090	–	1,807	138	139	2,084
Yang Wenhua	–	242	420	–	662	47	49	758
Lu Jian	–	233	322	–	555	34	49	638
Former executive director								
Fu Wanjun	–	292	219	–	511	41	127	679
Former non-executive director								
Li Xiaopeng	–	–	–	–	–	–	–	–
Former independent non-executive director								
Xu Hongcai	36	–	–	–	36	–	–	36
Former supervisors								
Wu Gaolian	–	–	–	–	–	–	–	–
Xu Keshun	–	463	735	–	1,198	99	103	1,400
Sun Jianwei	–	559	803	–	1,362	103	102	1,567

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 Directors' and supervisors' emoluments (continued)

The emoluments before individual income tax for directors and supervisors who held office during the reporting year are as follows: (continued)

Notes:

(i) *On 13 March 2023, the CBIRC approved Mr. Wang Zhiheng's appointment as the executive director and the president of the Bank.*

On 7 March 2024, the Bank held its First Extraordinary General Meeting of 2024 and elected Ms. Qi Ye and Mr. Yang Bingbing as executive directors of the Bank.

(ii) *On 17 November 2023, in the 11th meeting of the Ninth Board of Directors of the Bank deliberated and approved the election of Mr. Wu Lijun as the Chairman of the Ninth Board of Directors of the Bank. On 29 January 2024, the CBIRC approved Mr. Wu Lijun's appointment as Chairman of the Bank.*

On 7 March 2024, the Bank held its First Extraordinary General Meeting of 2024 and elected Mr. Cui Yong as a non-executive director of the Bank. On 8 March 2024, at the 15th meeting of the Ninth Board of Directors of the Bank, Mr. Cui Yong was elected as the vice Chairman of the Ninth Board of Directors of the Bank.

On 31 August 2023, the CBIRC approved Mr. Zhu Wenhui's appointment as a non-executive director of the Bank.

On 1 November 2023, the CBIRC approved Mr. Huang Zhiling's appointment as an independent director of the Bank, and Mr. Wang Liguo ceased to perform his duties.

On 17 November 2023, due to work adjustment, Mr. Wang Jiang resigned as Chairman of the Board of Directors, non-executive director, Chairman and member of the Strategic Committee of the Board of Directors, and member of the Nomination Committee of the Board of Directors.

On 31 May 2023, Mr. Yao Zhongyou resigned as a non-executive director of the Bank and a member of the Risk Management Committee of the Board of Directors due to his retirement.

On 20 November 2023, due to personal matters, Mr. Liu Chong resigned as a non-executive director of the Bank, a member of the Risk Management Committee of the Board of Directors, and a member of the Social Responsibility, Inclusive Financial Development and Consumer Rights Protection Committee.

On 13 November 2023, Mr. Lu Hong resigned as the Bank's Chief Supervisor, shareholder supervisor and member of the Nomination Committee of the Supervisory Board due to his retirement.

(iii) *The total compensation package for these directors and supervisors for the year ended 31 December 2023 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have significant impact on the Group's and the Bank's financial statements for the year ended 31 December 2023.*

The above directors' and supervisors' emoluments for the year ended 31 December 2023 were calculated in accordance with their actual tenure.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 Individuals with highest emoluments

	2023	2022
Salaries and other emoluments	2,693	2,749
Discretionary bonuses	22,872	23,275
Contributions to pension schemes	296	273
Others	964	933
Total	26,825	27,230

None of the five individuals with the highest emoluments are directors or supervisors. The number of these individuals whose emoluments before individual income tax are within the following bands is set out below:

	2023	2022
RMB3,000,001 to 3,500,000	–	–
RMB3,500,001 to 4,000,000	–	–
RMB4,000,001 to 4,500,000	–	–
RMB4,500,001 to 5,000,000	1	–
RMB5,000,001 and above	4	5

None of these individuals received any inducements or compensation for loss of office, or waived any emoluments during the reporting year.

8 Credit impairment losses

	2023	2022
Loans and advances to customers		
– measured at amortised cost	45,241	47,366
– measured at fair value through other comprehensive income	(86)	302
Debt instruments at fair value through other comprehensive income	134	500
Financial investments measured at amortised cost	5,732	2,062
Finance lease receivables	597	815
Others	457	(445)
Total	52,075	50,600

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9 Income tax

(a) Income tax:

	Note V	2023	2022
Current tax		11,113	22,286
Deferred tax	23(b)	(2,260)	(11,607)
Adjustments for prior year	9(b)	(172)	247
Total		8,681	10,926

(b) Reconciliations between income tax and accounting profit are as follows:

	Note	2023	2022
Profit before tax		49,757	55,966
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		12,439	13,992
Effect of different tax rates applied by certain subsidiaries		(5)	(2)
Non-deductible expenses and others		3,896	2,725
Non-taxable gains			
– Non-taxable income	(i)	(7,477)	(6,036)
Subtotal		8,853	10,679
Adjustments for prior year		(172)	247
Income tax		8,681	10,926

Note:

(i) Non-taxable income mainly includes interest income of PRC treasury bonds and dividends of funds.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Basic and diluted earnings per ordinary share

Basic earnings per share was computed by dividing the net profit attributable to the ordinary shareholders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2023	2022
Net profit attributable to equity holders of the Bank	40,792	44,807
Less: Dividends to other equity instruments holders	4,811	4,811
Net profit attributable to ordinary shareholders of the Bank	35,981	39,996
Weighted average number of ordinary shares in issue (in million shares)	57,822	54,032
Basic earnings per share (in RMB/share)	0.62	0.74

Weighted average number of ordinary shares in issue (in million shares)

	2023	2022
Issued ordinary shares as at 1 January	54,032	54,032
Add: Weighted average number of new issued ordinary shares in the current year	3,790	–
Weighted average number of ordinary shares in issue (in million shares)	57,822	54,032

Diluted earnings per share was computed by dividing the net profit attributable to the ordinary shareholders of the Bank based on assuming conversion of all dilutive potential shares for the year by the adjusted weighted average number of ordinary shares in issue. The Bank had convertible bonds as dilutive potential ordinary shares.

	2023	2022
Net profit attributable to ordinary shareholders of the Bank	35,981	39,996
Add: Interest expense on convertible bonds, net of tax	272	794
Net profit used to determine diluted earnings per share	36,253	40,790
Weighted average number of ordinary shares in issue (in million shares)	57,822	54,032
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares (in million shares)	1,484	6,817
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	59,306	60,849
Diluted earnings per share (in RMB/share)	0.61	0.67

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 Cash and deposits with the central bank

	Notes	31 December 2023	31 December 2022
Cash on hand		4,361	4,022
Deposits with the central bank			
– Statutory deposit reserves	(a)	276,799	281,357
– Surplus deposit reserves	(b)	64,428	67,141
– Foreign exchange risk reserves	(c)	740	243
– Fiscal deposits		2,717	3,522
Subtotal		349,045	356,285
Accrued interest		139	141
Total		349,184	356,426

Notes:

(a) *The Group places statutory deposit reserves with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserves are not available for use in the Group's daily business. As at the end of the reporting period, the Bank's statutory deposit reserve rates in Chinese Mainland were as follows:*

	31 December 2023	*31 December 2022*
Reserve ratio for RMB deposits	*7.00%*	*7.50%*
Reserve ratio for foreign currency deposits	*4.00%*	*6.00%*

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by the PBOC. The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(b) *The surplus deposit reserve maintained with the PBOC is mainly for the purpose of clearing.*

(c) *The foreign-exchange risk reserve is the foreign-exchange risk reserve paid by the Group to the PBOC in accordance with the relevant provisions. As at 31 December 2023, the proportion of foreign-exchange risk reserve shall be 20% (31 December 2022: 20%).*

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12 Deposits with banks and other financial institutions

Analysed by type and location of counterparty

	31 December 2023	31 December 2022
Deposits in Chinese Mainland		
– Banks	28,412	17,532
– Other financial institutions	709	1,022
Deposits overseas		
– Banks	11,192	13,935
Subtotal	40,313	32,489
Accrued interest	64	19
Total	40,377	32,508
Less: Provision for impairment losses	(435)	(435)
Net balances	39,942	32,073

13 Placements with banks and other financial institutions

Analysed by type and location of counterparty

	31 December 2023	31 December 2022
Placements in Chinese Mainland		
– Banks	8,243	6,068
– Other financial institutions	111,172	85,049
Placements overseas		
– Banks	22,782	38,727
Subtotal	142,197	129,844
Accrued interest	371	379
Total	142,568	130,223
Less: Provision for impairment losses	(326)	(244)
Net balances	142,242	129,979

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Derivatives and hedge accounting

(a) Analysed by nature of contract

	31 December 2023		
		Fair value	
	Notional amount	Assets	Liabilities
Interest rate derivatives			
– Interest rate swaps	911,287	4,856	(4,713)
– Treasury bond futures	97	–	(2)
Currency derivatives			
– Foreign exchange forwards	4,484	58	(49)
– Foreign exchange swap and cross-currency interest rate swaps	931,148	8,383	(9,157)
– Foreign exchange options	2,443	27	(25)
Total	1,849,459	13,324	(13,946)

	31 December 2022		
		Fair value	
	Notional amount	Assets	Liabilities
Interest rate derivatives			
– Interest rate swaps	1,037,901	4,768	(4,518)
– Treasury bond futures	308	1	–
Currency derivatives			
– Foreign exchange forwards	22,844	540	(348)
– Foreign exchange swap and cross-currency interest rate swaps	659,026	10,130	(9,379)
– Foreign exchange options	9,519	291	(16)
Credit derivatives	160	–	–
Total	1,729,758	15,730	(14,261)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Derivatives and hedge accounting (continued)

(b) Analysed by credit risk-weighted amount

	31 December 2023	31 December 2022
Counterparty default risk-weighted assets		
– Interest rate derivatives	475	1,390
– Currency derivatives	1,418	2,652
Credit value adjustment risk-weighted assets	2,309	4,443
Total	4,202	8,485

The risk-weighted assets for counterparty credit risk ("CCR") of derivatives of the Group were calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and other relevant regulations under the advanced capital measurement approaches. For derivative transactions, risk-weighted assets for CCR include the risk-weighted assets for default risk, and the risk-weighted assets for credit valuation adjustment ("CVA"). The risk-weighted assets for CCR of derivatives of the Group were calculated in accordance with the Assets Measurement Rules for Counterparty Default Risks of Derivatives since 1 January 2019.

(c) Hedging accounting

(1) Fair value hedge

The Group uses interest rate swaps to hedge fair value changes caused by interest rate changes, and the hedged items are fixed interest bonds held by the Group. As at 31 December 2023, the notional amount of the derivative financial instruments used by the Group for the fair value hedging instrument in the hedge accounting was RMB12,617 million (31 December 2022: RMB6,239 million), among which derivative financial assets amounted to RMB345 million (31 December 2022: RMB416 million), derivative financial liabilities amounted to RMB123 million (31 December 2022: RMB14 million).

In 2023 and 2022, the fair value changes recognised in the profit or loss attributed to the ineffective hedging were not significant.

(2) Cash flow hedge

The Group uses cross-currency swaps to hedge cash flow fluctuations resulting from exchange rates, and the hedged items are fixed interest bonds issued by the Group. As at 31 December 2023, the nominal amount of derivative financial instruments used by the Group as cash flow hedging instruments in hedge accounting was RMB1,500 million (31 December 2022: Nil), among which derivative financial assets amounted to RMB48 million (31 December 2022: Nil), and derivative financial liabilities amounted to RMB0 million (31 December 2022: Nil).

In 2023, the profit or loss arising from the recognised invalidated portion of the cash flow hedge was not significant.

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15 Financial assets held under resale agreements

(a) Analysed by type and location of counterparty

	31 December 2023	31 December 2022
In Chinese Mainland		
– Banks	2,317	–
– Other financial institutions	65,138	–
Overseas		
– Banks	–	28
Subtotal	67,455	28
Accrued interest	51	–
Total	67,506	28
Less: Provision for impairment losses	(6)	–
Net balances	67,500	28

(b) Analysed by type of collateral held

	31 December 2023	31 December 2022
Bonds		
– Government bonds	6,433	–
– Other debt securities	61,022	28
Subtotal	67,455	28
Accrued interest	51	–
Total	67,506	28
Less: Provision for impairment losses	(6)	–
Net balances	67,500	28

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers

(a) Analysed by nature

	31 December 2023	31 December 2022
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	2,068,722	1,838,407
Discounted bills	636	497
Personal loans and advances		
– Personal housing mortgage loans	584,099	589,758
– Personal business loans	299,291	257,190
– Personal consumption loans	195,679	208,442
– Credit cards	433,547	463,729
Subtotal	1,512,616	1,519,119
Loans and advances to customers at fair value through other comprehensive income		
Corporate loans and advances	97,118	93,043
Discounted bills	107,862	121,210
Subtotal	204,980	214,253
Total	3,786,954	3,572,276
Accrued interest	11,342	10,255
Gross loans and advances to customers	3,798,296	3,582,531
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(85,371)	(83,180)
Net loans and advances to customers	3,712,925	3,499,351
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(690)	(776)

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (continued)

(b) Analysed by industry

	31 December 2023		
	Amount	Percentage	Loans and advances secured by collateral
Manufacturing	444,913	11.74%	82,297
Water, environment and public utility management	337,316	8.91%	112,731
Leasing and commercial services	335,235	8.85%	68,882
Wholesale and retail trade	177,439	4.69%	36,271
Real estate	165,745	4.38%	108,194
Construction	165,227	4.36%	42,950
Transportation, storage and postal services	136,270	3.60%	41,333
Finance	105,414	2.78%	7,663
Production and supply of electricity, gas and water	84,276	2.23%	15,973
Agriculture, forestry, husbandry and fishery	59,157	1.56%	14,789
Others	154,848	4.09%	29,297
Subtotal of corporate loans and advances	2,165,840	57.19%	560,380
Personal loans and advances	1,512,616	39.94%	868,717
Discounted bills	108,498	2.87%	107,305
Total	3,786,954	100.00%	1,536,402
Accrued interest	11,342		
Gross loans and advances to customers	3,798,296		
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(85,371)		
Net loans and advances to customers	3,712,925		
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(690)		

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (continued)

(b) Analysed by industry (continued)

	31 December 2022		
	Amount	Percentage	Loans and advances secured by collateral
Manufacturing	379,002	10.59%	78,769
Water, environment and public utility management	320,176	8.96%	120,441
Leasing and commercial services	268,954	7.53%	65,021
Real estate	178,649	5.00%	117,234
Wholesale and retail trade	160,716	4.50%	41,166
Construction	151,748	4.25%	47,185
Transportation, storage and postal services	110,579	3.10%	38,971
Finance	85,008	2.38%	8,739
Production and supply of electricity, gas and water	72,531	2.03%	14,816
Agriculture, forestry, husbandry and fishery	65,622	1.84%	19,029
Others	138,465	3.88%	32,387
Subtotal of corporate loans and advances	1,931,450	54.06%	583,758
Personal loans and advances	1,519,119	42.53%	832,781
Discounted bills	121,707	3.41%	118,279
Total	3,572,276	100.00%	1,534,818
Accrued interest	10,255		
Gross loans and advances to customers	3,582,531		
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(83,180)		
Net loans and advances to customers	3,499,351		
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(776)		

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (continued)

(b) Analysed by industry (continued)

As at the end of the year and for the year ended 31 December 2023, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each economic sector which constitute 10% or more of gross loans and advances to customers is as follows:

	31 December 2023					
	Impaired loans and advances	Stage 1 12-month ECL	Stage 2 Lifetime ECL (without credit impairment)	Stage 3 Lifetime ECL (with credit impairment)	Impairment charged during the year	Written-off during the year
Manufacturing	8,564	(2,564)	(1,099)	(2,932)	2,061	4,030

(c) Analysed by type of collateral

	31 December 2023	31 December 2022
Unsecured loans	1,313,169	1,192,422
Guaranteed loans	937,383	845,036
Secured loans		
– Mortgage loans	1,210,545	1,188,728
– Pledged loans	325,857	346,090
Total	3,786,954	3,572,276
Accrued interest	11,342	10,255
Gross loans and advances to customers	3,798,296	3,582,531
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(85,371)	(83,180)
Net loans and advances to customers	3,712,925	3,499,351
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(690)	(776)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (continued)

(d) Analysed by geographical distribution

	31 December 2023		
	Loan balance	Percentage	Loans and advances secured by collateral
Yangtze River Delta	903,353	23.86%	323,157
Central	650,965	17.19%	317,662
Pearl River Delta	574,249	15.16%	319,019
Bohai Rim	516,609	13.64%	256,554
Western	475,934	12.57%	223,808
Overseas	125,751	3.32%	20,962
Northeastern	105,734	2.79%	74,441
Head Office	434,359	11.47%	799
Total	3,786,954	100.00%	1,536,402

	31 December 2022		
	Loan balance	Percentage	Loans and advances secured by collateral
Yangtze River Delta	841,441	23.56%	332,851
Central	610,286	17.08%	319,605
Pearl River Delta	511,900	14.33%	303,254
Bohai Rim	465,674	13.04%	251,536
Western	446,599	12.50%	222,310
Overseas	116,267	3.25%	21,940
Northeastern	106,440	2.98%	74,881
Head Office	473,669	13.26%	8,441
Total	3,572,276	100.00%	1,534,818

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (continued)

(d) Analysed by geographical distribution (continued)

As at the end of the year, detailed information of the impaired loans and advances to customers as well as the corresponding impairment provision in respect of geographic sectors which constitute 10% or more of gross loans and advances to customers is as follows:

	31 December 2023			
	Impaired loans and advances	Stage 1 12-month ECL	Stage 2 Lifetime ECL (without credit impairment)	Stage 3 Lifetime ECL (with credit impairment)
Pearl River Delta	8,431	(4,373)	(3,857)	(5,253)
Yangtze River Delta	6,062	(7,075)	(1,956)	(3,674)
Central	6,001	(3,541)	(3,413)	(2,989)
Bohai Rim	4,921	(3,211)	(1,943)	(3,408)
Western	3,818	(3,265)	(4,010)	(2,055)
Total	29,233	(21,465)	(15,179)	(17,379)

	31 December 2022			
	Impaired loans and advances	Stage 1 12-month ECL	Stage 2 Lifetime ECL (without credit impairment)	Stage 3 Lifetime ECL (with credit impairment)
Pearl River Delta	9,326	(6,261)	(3,008)	(5,213)
Central	6,099	(5,900)	(3,496)	(3,444)
Yangtze River Delta	4,724	(10,567)	(2,246)	(3,570)
Bohai Rim	4,428	(3,252)	(1,830)	(3,270)
Western	4,186	(4,734)	(3,499)	(2,398)
Total	28,763	(30,714)	(14,079)	(17,895)

For the definition of regional divisions, see Note V 49(b).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (continued)

(e) Overdue loans analysed by overdue period

	31 December 2023				
	Overdue within three months or less (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	20,408	13,380	1,607	928	36,323
Guaranteed loans	3,874	2,569	2,576	594	9,613
Secured loans					
– Mortgage loans	7,395	7,908	7,847	2,014	25,164
– Pledged loans	184	2,388	14	28	2,614
Subtotal	31,861	26,245	12,044	3,564	73,714
Accrued interest	83	–	–	–	83
Total	31,944	26,245	12,044	3,564	73,797
As a percentage of gross loans and advances to customers	0.84%	0.69%	0.32%	0.09%	1.94%

	31 December 2022				
	Overdue within three months or less (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	18,061	10,778	1,456	295	30,590
Guaranteed loans	2,881	5,094	1,975	357	10,307
Secured loans					
– Mortgage loans	11,121	7,382	7,540	1,289	27,332
– Pledged loans	119	969	548	38	1,674
Subtotal	32,182	24,223	11,519	1,979	69,903
Accrued interest	108	–	–	–	108
Total	32,290	24,223	11,519	1,979	70,011
As a percentage of gross loans and advances to customers	0.90%	0.68%	0.32%	0.06%	1.96%

Overdue loans represent loans, of which the whole or part of the principal or interest was overdue for one day or more.

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (continued)

(f) Loans and advances and provision for impairment losses

	31 December 2023				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL (without credit impairment)	Stage 3 Lifetime ECL (with credit impairment)	Total	Stage 3 loans and advances as a percentage of loans and advances
Loan principal	3,600,805	137,271	48,878	3,786,954	1.29%
Accrued interest	8,001	3,054	287	11,342	
Gross loans and advances to customers	3,608,806	140,325	49,165	3,798,296	
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(30,599)	(23,766)	(31,006)	(85,371)	
Net loans and advances to customers	3,578,207	116,559	18,159	3,712,925	

	31 December 2022				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL (without credit impairment)	Stage 3 Lifetime ECL (with credit impairment)	Total	Stage 3 loans and advances as a percentage of loans and advances
Loan principal	3,418,026	106,860	47,390	3,572,276	1.33%
Accrued interest	8,441	1,530	284	10,255	
Gross loans and advances to customers	3,426,467	108,390	47,674	3,582,531	
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(36,726)	(17,680)	(28,774)	(83,180)	
Net loans and advances to customers	3,389,741	90,710	18,900	3,499,351	

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (continued)

(g) Reconciliation of provision for impairment losses

	2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL (without credit impairment)	Stage 3 Lifetime ECL (with credit impairment)	Total
As at 1 January 2023	(36,726)	(17,680)	(28,774)	(83,180)
Transfer to Stage 1	(2,610)	2,371	239	–
Transfer to Stage 2	2,153	(2,495)	342	–
Transfer to Stage 3	389	2,286	(2,675)	–
Net charge for the year	6,216	(8,247)	(43,210)	(45,241)
Write-off and disposal	–	–	51,573	51,573
Recovery of loans and advances written off	–	–	(9,437)	(9,437)
Unwinding of discount on allowance	–	–	961	961
Exchange fluctuation and others	(21)	(1)	(25)	(47)
As at 31 December 2023	(30,599)	(23,766)	(31,006)	(85,371)

	2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL (without credit impairment)	Stage 3 Lifetime ECL (with credit impairment)	Total
As at 1 January 2022	(31,363)	(19,935)	(25,591)	(76,889)
Transfer to Stage 1	(2,847)	2,511	336	–
Transfer to Stage 2	1,180	(1,377)	197	–
Transfer to Stage 3	427	3,348	(3,775)	–
Net charge for the year	(4,117)	(2,227)	(41,022)	(47,366)
Write-off and disposal	–	–	47,828	47,828
Recovery of loans and advances written off	–	–	(7,505)	(7,505)
Unwinding of discount on allowance	–	–	758	758
Exchange fluctuation and others	(6)	–	–	(6)
As at 31 December 2022	(36,726)	(17,680)	(28,774)	(83,180)

Note:

(i) *The above reconciliation of provision for impairment losses only represents provision for impairment losses of loans and advances to customers measured at amortised cost. As at 31 December 2023, the balance of provision for impairment losses of loans and advances to customers at fair value through other comprehensive income was RMB690 million (31 December 2022: RMB776 million).*

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loans and advances to customers (continued)

(h) Rescheduled loans and advances to customers

	31 December 2023	31 December 2022
Rescheduled loans and advances to customers	6,551	4,404
Of which: Rescheduled loans and advances to customers overdue more than 90 days	1,267	19

17 Finance lease receivables

	31 December 2023	31 December 2022
Finance lease receivables	115,776	126,223
Less: Unearned finance lease income	(12,943)	(14,945)
Present value of finance lease receivables	102,833	111,278
Accrued interest	837	1,122
Less: Impairment losses	(4,512)	(4,388)
Net balance	99,158	108,012

Minimum finance lease receivables analysed by remaining period is listed as follows:

	31 December 2023	31 December 2022
Less than 1 year (inclusive)	40,820	39,200
1 year to 2 years (inclusive)	31,071	31,903
2 years to 3 years (inclusive)	19,730	24,686
3 years to 4 years (inclusive)	10,156	14,703
4 years to 5 years (inclusive)	3,940	7,428
More than 5 years	10,059	8,303
Total	115,776	126,223

18 Financial investments

	Notes	31 December 2023	31 December 2022
Financial assets at fair value through profit or loss	(a)	432,896	403,617
Debt instruments at fair value through other comprehensive income	(b)	561,047	449,596
Equity instruments at fair value through other comprehensive income	(c)	1,132	1,126
Financial investments measured at amortised cost	(d)	1,246,387	1,192,273
Total		2,241,462	2,046,612

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Financial investments (continued)

(a) Financial assets at fair value through profit or loss

	Notes	31 December 2023	31 December 2022
Debt instruments held for trading	(i)	106,408	109,640
Other financial assets at fair value through profit or loss	(ii)	326,488	293,977
Total		432,896	403,617

(i) Debt instruments held for trading

	Notes	31 December 2023	31 December 2022
Issued by the following governments or institutions:			
In Chinese Mainland			
– Government		28,605	9,407
– Banks and other financial institutions		45,887	79,658
– Other institutions	(1)	29,734	19,479
Overseas			
– Government		1,176	256
– Banks and other financial institutions		510	372
– Other institutions		496	468
Total	(2)	106,408	109,640
Listed	(3)	21,052	1,542
Of which: listed in Hong Kong		2,270	670
Unlisted		85,356	108,098
Total		106,408	109,640

Notes:

(1) The debt instruments issued by other institutions in Chinese Mainland mainly represented debt securities issued by state-owned enterprises and joint stock enterprises in Chinese Mainland.

(2) At the end of the year, some of the debt instruments held for trading were pledged for repurchase agreements and time deposits. See Note V 25(a).

(3) Listed investments include debt instruments traded on a stock exchange.

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Financial investments (continued)

(a) Financial assets at fair value through profit or loss (continued)

(ii) Other financial assets at fair value through profit or loss

	31 December 2023	31 December 2022
Fund investments	296,565	214,031
Equity instruments	4,341	5,059
Others	25,582	74,887
Total	326,488	293,977

(b) Debt instruments at fair value through other comprehensive income

(i) Analysed by type and location of counterparty:

	Notes	31 December 2023	31 December 2022
In Chinese Mainland			
– Government		278,638	196,287
– Banks and other financial institutions	(1)	143,306	143,053
– Other institutions	(2)	88,524	65,207
Overseas			
– Government		1,911	4,437
– Banks and other financial institutions		21,121	17,852
– Other institutions		19,520	16,078
Subtotal		553,020	442,914
Accrued interest		8,027	6,682
Total	(3)	561,047	449,596
Listed	(4)	68,540	55,718
Of which: listed in Hong Kong		25,199	33,248
Unlisted		484,480	387,196
Subtotal		553,020	442,914
Accrued interest		8,027	6,682
Total		561,047	449,596

Notes:

(1) Debt instruments issued by banks and other financial institutions mainly represent debt securities issued by banks and other financial institutions in Chinese Mainland.

(2) Debt instruments issued by other institutions mainly represent debt securities issued by state-owned enterprises and joint stock enterprises in Chinese Mainland.

(3) At the end of the year, part of the debt instruments at fair value through other comprehensive income were pledged for repurchase agreements and time deposits, see Note V 25(a).

(4) Listed investments include debt instruments traded on a stock exchange.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Financial investments (continued)

(b) Debt instruments at fair value through other comprehensive income (continued)

(ii) Reconciliation of provision for impairment losses on debt instruments at fair value through other comprehensive income

	2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL (without credit impairment)	Stage 3 Lifetime ECL (with credit impairment)	Total
As at 1 January 2023	(470)	(158)	(590)	(1,218)
Transfer to Stage 2	6	(6)	–	–
Transfer to Stage 3	52	92	(144)	–
Net charge for the year	(39)	(40)	(55)	(134)
Exchange fluctuation and others	18	5	36	59
As at 31 December 2023	(433)	(107)	(753)	(1,293)

	2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL (without credit impairment)	Stage 3 Lifetime ECL (with credit impairment)	Total
As at 1 January 2022	(410)	(104)	(173)	(687)
Transfer to Stage 2	10	(30)	20	–
Transfer to Stage 3	31	104	(135)	–
Net charge for the year	(95)	(103)	(302)	(500)
Exchange fluctuation and others	(6)	(25)	–	(31)
As at 31 December 2022	(470)	(158)	(590)	(1,218)

(c) Equity instruments at fair value through other comprehensive income

	Notes	31 December 2023	31 December 2022
Listed	(i)	30	24
Unlisted		1,102	1,102
Total	(ii)	1,132	1,126

Notes:

(i) Listed investments include equity instruments traded on a stock exchange.

(ii) The Group designated the equity instruments not held for trading as measured at fair value through other comprehensive income. As at 31 December 2023, the fair value was RMB1,132 million (As at December 31 2022: RMB1,126 million). For the year ended 31 December 2023, the Group has received dividends of RMB44 million from the above equity instruments (2022: RMB60 million).

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Financial investments (continued)

(d) Financial investments measured at amortised cost

	Notes	31 December 2023	31 December 2022
Debt securities and asset-backed instruments	(i)	1,199,678	1,105,621
Others	(ii)	43,327	79,789
Subtotal		1,243,005	1,185,410
Accrued interest		18,679	17,745
Total		1,261,684	1,203,155
Less: Provision for impairment losses		(15,297)	(10,882)
Net balance		1,246,387	1,192,273
Listed	(iii)	205,136	217,335
Of which: listed in Hong Kong		25,104	29,541
Unlisted		1,022,572	957,193
Subtotal		1,227,708	1,174,528
Accrued interest		18,679	17,745
Net balance		1,246,387	1,192,273

(i) Debt securities and asset-backed instruments measured at amortised cost were analysed by type and location of counterparty as follows:

	Notes	31 December 2023	31 December 2022
In Chinese Mainland			
– Government		488,028	405,772
– Banks and other financial institutions		408,738	385,852
– Other institutions	(1)	236,545	242,040
Overseas			
– Government		13,987	29,524
– Banks and other financial institutions		41,167	31,091
– Other institutions		11,213	11,342
Subtotal		1,199,678	1,105,621
Accrued interest		18,637	17,330
Total	(2)	1,218,315	1,122,951
Less: Provision for impairment losses		(4,241)	(4,217)
Net balance		1,214,074	1,118,734
Fair value		1,241,475	1,135,161

Notes:

(1) Debt securities and asset-backed instruments issued by other institutions mainly represent debt securities and asset-backed instruments issued by state-owned enterprises and joint stock enterprises in Chinese Mainland.

(2) As at the end of the year, part of the debt securities measured at amortised cost were pledged for repurchase agreements, time deposits and derivative transactions. See Note V 25(a).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Financial investments (continued)

(d) Financial investments measured at amortised cost (continued)

(ii) Other financial investments measured at amortised cost mainly include trusts and other rights to earnings.

(iii) Listed investments include debt instruments traded on a stock exchange.

(iv) Reconciliation of provision for impairment losses on financial investments measured at amortised cost:

	2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL (without credit impairment)	Stage 3 Lifetime ECL (with credit impairment)	Total
As at 1 January 2023	(1,325)	(56)	(9,501)	(10,882)
Transfer to Stage 1	(19)	19	–	–
Transfer to Stage 2	22	(22)	–	–
Net charge for the year	751	(71)	(6,412)	(5,732)
Write-off and disposal	–	–	513	513
Interest income on impaired financial investments	–	–	944	944
Exchange fluctuation and others	(140)	–	–	(140)
As at 31 December 2023	(711)	(130)	(14,456)	(15,297)

	2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL (without credit impairment)	Stage 3 Lifetime ECL (with credit impairment)	Total
As at 1 January 2022	(1,361)	(1,315)	(7,649)	(10,325)
Transfer to Stage 2	36	(36)	–	–
Transfer to Stage 3	162	1,314	(1,476)	–
Net charge for the year	(88)	(19)	(1,955)	(2,062)
Write-off and disposal	–	–	1,579	1,579
Exchange fluctuation and others	(74)	–	–	(74)
As at 31 December 2022	(1,325)	(56)	(9,501)	(10,882)

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 Investment in subsidiaries and joint ventures

(a) Investments in subsidiaries

	31 December 2023	31 December 2022
Everbright Financial Leasing Co., Ltd.	4,680	4,680
CEB International Investment Co., Ltd.	2,267	2,267
Shaoshan Everbright Rural Bank Co., Ltd.	105	105
Jiangsu Huai'an Everbright Rural Bank Co., Ltd.	70	70
China Everbright Bank Company Limited (Europe)	156	156
Jiangxi Ruijin Everbright Rural Bank Co., Ltd.	105	105
Everbright Wealth Co., Ltd.	5,000	5,000
Beijing Sunshine Consumer Finance Co., Ltd.	600	600
Total	12,983	12,983

The details of the subsidiaries are presented as follows:

Corporate name	Registered address	Registered capital	Investment proportion	Voting proportion	Main business	Economic nature/type
Everbright Financial Leasing Co., Ltd. (Everbright Financial Leasing)	Wuhan, Hubei	5,900	90%	90%	Leasing transactions	Incorporated company
CEB International Investment Co., Ltd. (CEB International)	Hong Kong	2,267	100%	100%	Investment banking	Limited company
Shaoshan Everbright Rural Bank Co., Ltd. (Shaoshan Everbright Bank)	Shaoshan, Hunan	150	70%	70%	Banking business	Incorporated company
Jiangsu Huai'an Everbright Rural Bank Co., Ltd. (Huai'an Everbright Bank)	Huai'an, Jiangsu	100	70%	70%	Banking business	Incorporated company
China Everbright Bank Company Limited (Europe) (CEB Europe)	Luxembourg	156	100%	100%	Banking business	Incorporated company
Jiangxi Ruijin Everbright Rural Bank Co., Ltd. (Ruijin Everbright Bank)	Ruijin, Jiangxi	150	70%	70%	Banking business	Incorporated company
Everbright Wealth Co., Ltd. (Everbright Wealth)	Qingdao, Shandong	5,000	100%	100%	Capital market business	Limited company
Beijing Sunshine Consumer Finance Co., Ltd. (Sunshine Consumer)	Beijing	1,000	60%	60%	Banking business	Incorporated company

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 Investment in subsidiaries and joint ventures (continued)

(b) Investments in joint ventures

	2023	2022
As at 1 January	165	256
Decreased investment	–	(47)
Investment gains/(losses) under the equity method	36	(63)
Foreign currency conversion difference	3	19
As at 31 December	204	165

20 Property and equipment

	Premises (Note (i))	Aircraft (Note (ii))	Construction in progress	Electronic equipment	Others	Total
Cost						
As at 1 January 2023	14,278	11,057	2,832	9,968	4,971	43,106
Additions	58	267	923	648	185	2,081
Transfers in/(out)	2,138	–	(2,152)	–	–	(14)
Disposals	(24)	–	–	(390)	(155)	(569)
Foreign currency conversion difference	–	186	–	–	–	186
As at 31 December 2023	16,450	11,510	1,603	10,226	5,001	44,790
Accumulated depreciation						
As at 1 January 2023	(5,337)	(1,370)	–	(6,269)	(3,793)	(16,769)
Charge for the year	(495)	(414)	–	(1,304)	(293)	(2,506)
Disposals	–	–	–	365	144	509
Foreign currency conversion difference	–	(23)	–	–	–	(23)
As at 31 December 2023	(5,832)	(1,807)	–	(7,208)	(3,942)	(18,789)
Provision for impairment						
As at 1 January 2023	(163)	–	–	–	–	(163)
As at 31 December 2023	(163)	–	–	–	–	(163)
Net book value						
As at 31 December 2023	10,455	9,703	1,603	3,018	1,059	25,838

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 Property and equipment (continued)

	Premises (Note (i))	Aircraft (Note (ii))	Construction in progress	Electronic equipment	Others	Total
Cost						
As at 1 January 2022	13,529	10,134	2,656	9,151	4,818	40,288
Additions	59	1	930	1,373	351	2,714
Transfers in/(out)	690	–	(754)	–	–	(64)
Disposals	–	–	–	(556)	(198)	(754)
Foreign currency conversion difference	–	922	–	–	–	922
As at 31 December 2022	14,278	11,057	2,832	9,968	4,971	43,106
Accumulated depreciation						
As at 1 January 2022	(4,895)	(882)	–	(5,582)	(3,611)	(14,970)
Charge for the year	(442)	(394)	–	(1,212)	(364)	(2,412)
Disposals	–	–	–	525	182	707
Foreign currency conversion difference	–	(94)	–	–	–	(94)
As at 31 December 2022	(5,337)	(1,370)	–	(6,269)	(3,793)	(16,769)
Provision for impairment						
As at 1 January 2022	(163)	–	–	–	–	(163)
As at 31 December 2022	(163)	–	–	–	–	(163)
Net book value						
As at 31 December 2022	8,778	9,687	2,832	3,699	1,178	26,174

Notes:

(i) As at 31 December 2023, title deeds were not yet finalised for the premises with a carrying amount of RMB2,278 million (31 December 2022: RMB35 million). Management of the Group expected that there would be no significant cost in obtaining the title deeds.

(ii) As at 31 December 2023, Everbright Financial Leasing, the Group's subsidiary leased certain aircraft and aircraft engines which were included in "Aircraft" to third parties under operating lease arrangements, with a net book value of RMB9,703 million (31 December 2022: RMB9,687 million). As at the end of the year, part of the finance lease receivables was pledged for borrowings from banks. See Note V 25(a).

The net book values of premises at the end of the reporting period are analysed by the remaining terms of leases as follows:

	31 December 2023	31 December 2022
Held in Chinese Mainland		
– Medium term leases (10 to 50 years)	9,846	8,173
– Short term leases (less than 10 years)	609	605
Total	10,455	8,778

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21 Right-of-use Assets

	Premises	Transportation and others	Total
Cost			
As at 1 January 2023	18,193	53	18,246
Charge for the year	3,574	9	3,583
Deductions	(2,854)	(26)	(2,880)
Foreign currency conversion difference	13	–	13
As at 31 December 2023	18,926	36	18,962
Accumulated depreciation			
As at 1 January 2023	(7,939)	(26)	(7,965)
Charge for the year	(2,820)	(10)	(2,830)
Reduction for the year	2,232	17	2,249
Foreign currency conversion difference	(8)	–	(8)
As at 31 December 2023	(8,535)	(19)	(8,554)
Net book value			
As at 31 December 2023	10,391	17	10,408

	Premises	Transportation and others	Total
Cost			
As at 1 January 2022	17,302	61	17,363
Charge for the year	2,250	8	2,258
Deductions	(1,406)	(16)	(1,422)
Foreign currency conversion difference	47	–	47
As at 31 December 2022	18,193	53	18,246
Accumulated depreciation			
As at 1 January 2022	(6,381)	(29)	(6,410)
Charge for the year	(2,749)	(11)	(2,760)
Reduction for the year	1,205	14	1,219
Foreign currency conversion difference	(14)	–	(14)
As at 31 December 2022	(7,939)	(26)	(7,965)
Net book value			
As at 31 December 2022	10,254	27	10,281

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22 Goodwill

	31 December 2023	31 December 2022
Gross amount	6,019	6,019
Less: Provision for impairment losses	(4,738)	(4,738)
Net balances	1,281	1,281

As approved by the PBOC, the Bank and China Development Bank ("CDB") jointly signed the "Agreement between China Development Bank and China Everbright Bank for the transfer of assets, liabilities and banking premises of China Investment Bank" (the "Agreement") on 18 March 1999. According to the Agreement, CDB transferred the assets, liabilities, equity and 137 outlets of 29 branches of the former China Investment Bank ("CIB") to the Bank. The Agreement became effective on 18 March 1999. The Bank assessed the fair value of the transferred assets and liabilities, and recognised the excess of the purchase cost over the sum of the fair value of the net assets transferred and deferred tax assets as goodwill.

The goodwill is subject to annual impairment testing. The Bank makes provision for impairment if necessary. The Bank calculates the recoverable amount of the CGU using cash flow projections based on financial forecasts approved by management covering a five-year period. The discount rate used in the Bank's cash flow forecast is 10% (2022: 11%). The discount rate used reflects specific risks relating to the relevant segments.

Based on the result of the impairment testing, no additional impairment losses on goodwill were recognised for the year.

23 Deferred tax assets and liabilities

Deferred income tax assets and deferred income tax liabilities that have not been offset:

	31 December 2023	31 December 2022
Deferred income tax assets	36,153	34,855
Deferred income tax liabilities	(2,179)	(2,152)
Total	33,974	32,703

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23 Deferred tax assets and liabilities (continued)

(a) Analysed by nature

	31 December 2023		31 December 2022	
	Temporary difference	Deferred tax assets/ (liabilities)	Temporary difference	Deferred tax assets/ (liabilities)
Deferred income tax assets				
– Fair value changes	2,856	697	3,456	864
– Provision for impairment losses	118,220	29,550	113,780	28,445
– Accrued staff costs and others	23,623	5,906	22,183	5,546
Total	144,699	36,153	139,419	34,855
Deferred income tax liabilities				
– Fair value changes	(2,787)	(697)	(32)	(8)
– Others	(5,927)	(1,482)	(8,576)	(2,144)
Total	(8,714)	(2,179)	(8,608)	(2,152)

(b) Movements of deferred tax

	Provision for impairment losses Note (i)	Fair value changes of financial instruments Note (ii)	Accrued staff costs and others	Net balance of deferred tax assets/ (liabilities)
As at 1 January 2023	28,445	856	3,402	32,703
Recognised in profit or loss	1,108	130	1,022	2,260
Recognised in other comprehensive income	(3)	(986)	–	(989)
As at 31 December 2023	29,550	–	4,424	33,974

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23 Deferred tax assets and liabilities (continued)

(b) Movements of deferred tax (continued)

	Provision for impairment losses Note (i)	Fair value changes of financial instruments Note (ii)	Accrued staff costs and others	Net balance of deferred tax assets/ (liabilities)
As at 1 January 2022	17,847	(953)	3,001	19,895
Recognised in profit or loss	10,827	379	401	11,607
Recognised in other comprehensive income	(229)	1,430	–	1,201
As at 31 December 2022	28,445	856	3,402	32,703

Notes:

(i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of the year. Besides, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of the year, together with write-offs which fulfil specific criteria as set out in the PRC tax rules and are approved by the tax authorities.

(ii) Fair value changes of financial instruments are subject to tax when realised.

24 Other assets

	Note	31 December 2023	31 December 2022
Accrued interest		8,331	6,539
Other receivables	(a)	8,047	17,229
Intangible assets		4,297	3,475
Property and equipment purchase prepayment		2,042	1,334
Refundable Deposits		1,641	1,542
Long-term deferred expense		916	927
Repossessed assets		147	238
Land use right		71	77
Others	(b)	2,946	3,147
Total		28,438	34,508

Note:

(a) Other receivables mainly include items in the process of clearing and settlement. The amount of impairment allowance is not material.

(b) Others are mainly agency financial assets.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25 Pledged assets

(a) Assets pledged as collateral

The Group's financial assets as collateral for liabilities include discounted bills, debt securities and property and equipment, which are mainly used as collateral for repurchase agreements, time deposits, derivative contracts and borrowings from banks. The carrying amount of the financial assets pledged as securities as at 31 December 2023 is RMB195.465 billion (as at 31 December 2022: RMB183.853 billion).

(b) Collateral received

The Group accepted securities as collateral for those which are permitted to be sold or re-pledged in connection with reverse repurchase agreements with banks and other financial institutions in the year ended 31 December 2023.

As at 31 December 2023, the Group had no collateral received from banks and other financial institutions (31 December 2022: Nil). As at 31 December 2023, the Group had no collateral that was sold or re-pledged, but was obligated to return (31 December 2022: Nil). These transactions are conducted under standard terms in the normal course of business.

26 Due to the central bank

	31 December 2023	31 December 2022
Due to the central bank	98,552	63,142
Accrued interest	1,081	244
Total	99,633	63,386

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27 Deposits from banks and other financial institutions

Analysed by type and location of counterparty

	31 December 2023	31 December 2022
Deposits in Chinese Mainland		
– Banks	153,897	160,959
– Other financial institutions	396,375	376,763
Deposits overseas		
– Banks	798	2,019
Subtotal	551,070	539,741
Accrued interest	1,256	927
Total	552,326	540,668

28 Placements from banks and other financial institutions

Analysed by type and location of counterparty

	31 December 2023	31 December 2022
Placements in Chinese Mainland		
– Banks	111,593	115,365
– Other financial institutions	5,495	6,605
Placements overseas		
– Banks	76,212	65,745
Subtotal	193,300	187,715
Accrued interest	905	886
Total	194,205	188,601

29 Financial liabilities at fair value through profit or loss

	31 December 2023	31 December 2022
Short position in debt securities	–	27
Total	–	27

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparty

	31 December 2023	31 December 2022
In Chinese Mainland		
– Banks	51,038	74,624
– Other financial institutions	–	74
Overseas		
– Banks	21,616	17,947
– Other financial institutions	274	215
Subtotal	72,928	92,860
Accrued interest	187	120
Total	73,115	92,980

(b) Analysed by collateral

	31 December 2023	31 December 2022
Debt securities	71,916	89,892
Bank acceptances	1,012	2,968
Subtotal	72,928	92,860
Accrued interest	187	120
Total	73,115	92,980

31 Deposits from customers

	31 December 2023	31 December 2022
Demand deposits		
– Corporate customers	965,167	823,302
– Individual customers	249,402	254,332
Subtotal	1,214,569	1,077,634
Time deposits		
– Corporate customers	1,451,942	1,552,167
– Individual customers	945,213	807,037
Subtotal	2,397,155	2,359,204
Pledged deposits	412,129	409,978
Other deposits	1,019	1,078
Subtotal deposits from customers	4,024,872	3,847,894
Accrued interest	69,656	69,274
Total	4,094,528	3,917,168

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Accrued staff costs

	Notes	31 December 2023	31 December 2022
Salary and welfare payable		16,051	15,528
Pension and annuity payable	(a)	313	319
Supplementary retirement benefits payable	(b)	3,700	3,159
Total		20,064	19,006

Notes:

(a) *Pension and annuity*

Pursuant to the relevant laws and regulations in the PRC, the Group has joined a defined contribution scheme for the employees arranged by local government labour and social security organisations. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stipulated by the relevant government organisations.

The Group provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' gross wages in the prior year, which are expensed to profit or loss when the contributions are made.

(b) *Supplementary retirement benefits ("SRB")*

The Group pays SRB for eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting year. The Group's obligations in respect of the SRB were accessed, using projected unit credit method by qualified staff (a member of society of Actuaries in America) of an external independent actuary, Wills Towers Watson Management Consulting (Shenzhen) Co., Ltd..

(i) *The details of the Group's supplementary retirement benefits are as follows:*

	31 December 2023	*31 December 2022*
Present value of supplementary retirement benefits liability	*3,700*	*3,159*

(ii) *Movements of SRB of the Group are as follows:*

	2023	*2022*
As at 1 January	*3,159*	*2,712*
Current service costs	*267*	*239*
Interest costs	*102*	*95*
Recalculation part of the defined benefit plan	*192*	*135*
Payments made	*(20)*	*(22)*
As at 31 December	*3,700*	*3,159*

Remeasurement of the defined benefit plan was recognised in other comprehensive income. See Note V 40.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Accrued staff costs (continued)

Notes: (continued)

(b) Supplementary retirement benefits ("SRB") (continued)

(iii) Principal actuarial assumptions of the Group are as follows:

	31 December 2023	*31 December 2022*
Discount rate	*3.00%*	*3.25%*
Medical cost growth rate	*6.00%*	*6.00%*
Average expected future lifetime	*25.17*	*25.18*

(iv) Sensitivity analysis:

Reasonably possible changes at the end of the year to one of the relevant actuarial assumptions, with other assumptions being constant, would have affected the defined benefit obligation by the amounts shown below:

	31 December 2023	
	Increases	*Decreases*
Discount rate (1% movement)	*(1,097)*	*1,209*
Medical cost growth rate (1% movement)	*1,186*	*(832)*

	31 December 2022	
	Increases	*Decreases*
Discount rate (1% movement)	*(927)*	*1,021*
Medical cost growth rate (1% movement)	*1,003*	*(704)*

Although the analysis does not take the full expected distribution into account in the future cash flow statement, approximate assumptions can be made about the sensitivity to supplementary retirement benefits.

Except as stated in (a) and (b) above, the Group has no other major responsibilities to pay employee retirement benefits and other post-retirement benefits. There is no balance in arrears in the above staff emoluments payable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33 Taxes payable

	31 December 2023	31 December 2022
Income tax payable	4,334	7,542
Value added tax payable	2,554	3,068
Others	416	531
Total	7,304	11,141

34 Lease liabilities

	31 December 2023	31 December 2022
Within 1 year (inclusive)	2,691	2,723
1 year to 2 years (inclusive)	2,288	2,171
2 years to 3 years (inclusive)	1,914	1,724
3 years to 5 years (inclusive)	2,602	2,539
More than 5 years	2,080	2,282
Total undiscounted lease liabilities	11,575	11,439
Lease liabilities	10,349	10,151

35 Debt securities issued

	Notes	31 December 2023	31 December 2022
Financial bonds issued	(a)	233,363	130,346
Tier-two capital bonds issued	(b)	61,593	46,596
Convertible bonds issued	(c)	–	24,082
Interbank deposits issued	(d)	733,507	604,319
Certificates of deposit issued	(e)	35,705	46,798
Medium term notes	(f)	30,792	20,476
Subtotal		1,094,960	872,617
Accrued interest		4,366	3,354
Total		1,099,326	875,971

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35 Debt securities issued (continued)

(a) Financial bonds issued

	Notes	31 December 2023	31 December 2022
Financial fixed rate bonds maturing in March 2024	(i)	39,998	39,993
Financial floating rate bonds maturing in May 2024	(ii)	1,453	1,415
Financial floating rate bonds maturing in August 2024	(iii)	969	944
Financial fixed rate bonds maturing in February 2025	(iv)	39,999	39,998
Financial floating rate bonds maturing in March 2025	(v)	436	–
Financial floating rate bonds maturing in March 2025	(vi)	799	–
Financial floating rate bonds maturing in April 2025	(vii)	547	–
Financial floating rate bonds maturing in May 2025	(viii)	291	–
Financial fixed rate bonds maturing in October 2025	(ix)	47,997	47,996
Financial fixed rate bonds maturing in May 2026	(x)	19,999	–
Financial floating rate bonds maturing in May 2026	(xi)	484	–
Financial fixed rate bonds maturing in June 2026	(xii)	19,999	–
Financial fixed rate bonds maturing in September 2026	(xiii)	29,999	–
Financial fixed rate bonds maturing in November 2026	(xiv)	27,999	–
Financial fixed rate bonds maturing in November 2026	(xv)	2,394	–
Total		233,363	130,346

Notes:

(i) *Fixed rate social bonds for Small and Micro Enterprises Loans of RMB40.00 billion with a term of three years were issued by the Bank on 22 March 2021. The coupon rate is 3.45% per annum.*

(ii) *Floating rate financial bonds of AUD0.30 billion with a term of three years were issued by the Bank's Sydney branch on 18 May 2021. The coupon rate is 3MBBSW+68BPS per annum.*

(iii) *Floating rate financial bonds of AUD0.20 billion with a term of 1.75 years were issued by the Bank's Sydney branch on 11 November 2022. The coupon rate is 3MBBSW+103BPS per annum.*

(iv) *Fixed rate social bonds for Small and Micro Enterprises Loans of RMB40.00 billion with a term of three years were issued by the Bank on 17 February 2022. The coupon rate is 2.73% per annum.*

(v) *Floating rate financial bonds of AUD90.00 million with a term of two years were issued by the Bank's Sydney branch on 24 February 2023. The coupon rate is 3MBBSW+93BPS per annum.*

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35 Debt securities issued (continued)

(a) Financial bonds issued (continued)

Notes: (continued)

(vi) Floating rate financial bonds of AUD165.00 million with a term of two years were issued by the Bank's Sydney branch on 15 March 2023. The coupon rate is 3MBBSW+100BPS per annum.

(vii) Floating rate financial bonds of AUD113.00 million with a term of two years were issued by the Bank's Sydney branch on 19 April 2023. The coupon rate is 3MBBSW+90BPS per annum.

(viii) Floating rate financial bonds of AUD60.00 million with a term of two years were issued by the Bank's Sydney branch on 8 May 2023. The coupon rate is 3MBBSW+92BPS per annum.

(ix) Fixed rate financial bonds of RMB48.00 billion with a term of three years were issued by the Bank on 18 October 2022. The coupon rate is 2.47% per annum.

(x) Fixed rate financial bonds (Phase I) of RMB20.00 billion with a term of three years were issued by the Bank on 16 May 2023. The coupon rate is 2.68% per annum.

(xi) Floating rate financial bonds of AUD100.00 million with a term of three years were issued by the Bank's Sydney branch on 5 May 2023. The coupon rate is 3MBBSW+105BPS per annum.

(xii) Fixed rate green financial bonds (Phase I) of RMB20.00 billion with a term of three years were issued by the Bank on 19 June 2023. The coupon rate is 2.68% per annum.

(xiii) Fixed rate financial bonds (Phase II) of RMB30.00 billion with a term of three years were issued by the Bank on 21 September 2023. The coupon rate is 2.72% per annum.

(xiv) Fixed rate financial bonds (Phase III) of RMB28.00 billion with a term of three years were issued by the Bank on 7 November 2023. The coupon rate is 2.81% per annum.

(xv) Fixed rate financial bonds of RMB3.00 billion with a term of three years were issued by Everbright Financial Leasing on 8 November 2023. The coupon rate is 2.85% per annum.

(xvi) As at 31 December 2023, the fair value of the total financial bonds issued was RMB233,714 million (31 December 2022: RMB130,169 million).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35 Debt securities issued (continued)

(b) Tier-two capital bonds issued

	Notes	31 December 2023	31 December 2022
Tier-two capital fixed rate bonds maturing in September 2030	(i)	1,596	1,596
Tier-two capital fixed rate bonds maturing in August 2032	(ii)	39,998	40,000
Tier-two capital fixed rate bonds maturing in April 2033	(iii)	9,999	–
Tier-two capital fixed rate bonds maturing in August 2037	(iv)	5,000	5,000
Tier-two capital fixed rate bonds maturing in April 2038	(v)	5,000	–
Total		61,593	46,596

Notes:

(i) *Fixed rate tier-two capital bonds of RMB1.60 billion with a term of ten years were issued on 16 September 2020 by Everbright Financial Leasing. The coupon rate is 4.39% per annum. The Group has an option to redeem the debts on 18 September 2025 at the nominal amount.*

(ii) *Fixed rate tier-two capital bonds of RMB40.00 billion with a term of ten years were issued on 25 August 2022. The coupon rate is 3.10% per annum. The Group has an option to redeem the debts on 29 August 2027 at the nominal amount.*

(iii) *Fixed rate tier-two capital bonds of RMB10.00 billion with a term of ten years were issued on 10 April 2023. The coupon rate is 3.55% per annum. The Group has an option to redeem the debts on 12 April 2028 at the nominal amount.*

(iv) *Fixed rate tier-two capital bonds of RMB5.00 billion with a term of fifteen years were issued on 25 August 2022. The coupon rate is 3.35% per annum. The Group has an option to redeem the debts on 29 August 2032 at the nominal amount.*

(v) *Fixed rate tier-two capital bonds of RMB5.00 billion with a term of fifteen years were issued on 10 April 2023. The coupon rate is 3.64% per annum. The Group has an option to redeem the debts on 12 April 2033 at the nominal amount.*

(vi) *As at 31 December 2023, the fair value of the total tier-two capital bonds issued approximated to RMB62,243 million (31 December 2022: RMB45,113 million).*

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35 Debt securities issued (continued)

(c) Convertible bonds issued

	31 December 2023	31 December 2022
Fixed rate six years convertible bonds issued in March 2017	–	24,082

The convertible corporate bonds issued have been split into the liability and equity components as follows:

	Note	Liability component	Equity component Note V 38	Total
Nominal value of convertible bonds		24,826	5,174	30,000
Direct transaction costs		(64)	(13)	(77)
Balance as at the issuance date		24,762	5,161	29,923
Accumulated amortisation as at 1 January 2023		4,767	–	4,767
Accumulated conversion amount as at 1 January 2023		(5,447)	(998)	(6,445)
Balance as at 1 January 2023		24,082	4,163	28,245
Payment during the year		(7,152)	(1,251)	(8,403)
Conversion amount during the year	(ii)	(16,930)	(2,912)	(19,842)
Balance as at 31 December 2023		–	–	–

Notes:

(i) *Pursuant to the approval of relevant PRC authorities, on 17 March 2017, the Bank issued A-share convertible bonds with a total nominal amount of RMB30 billion. The convertible bonds have a maturity term of six years from 17 March 2017 to 16 March 2023. The convertible bond holders may exercise their rights to convert the convertible bonds into the Bank's A shares at the stipulated conversion price during the period("Conversion Period") beginning six months after the date of issuance until the maturity date. Within 5 trading days after maturity, the Bank shall redeem the outstanding convertible bonds at 105% of the par value, including the interest for the sixth year. The convertible bonds matured on 16 March 2023, and the Bank redeemed all the convertible bonds registered after the close of market on 16 March 2023 (redemption registration date).*

(ii) *As at 31 December 2023, a total of RMB22,731 million (31 December 2022: RMB5,801 million) convertible bonds have been converted into ordinary shares, the cumulative convertible number of shares is 6,596,456,061 shares (31 December 2022: 1,542,885,091 shares).*

(iii) *For the year ended 31 December 2023, a total of RMB363 million interests on the convertible bonds has been paid by the Bank (2022: RMB436 million).*

(d) Interbank deposits issued

For the year ended 31 December 2023, 313 inter-bank deposits were issued by the Bank and measured at amortised cost with a carrying amount of RMB1,067,720 million (2022: RMB796,570 million). The carrying amount of interbank deposits due in 2023 was RMB935,110 million (2022: RMB781,630 million). As at 31 December 2023, the fair value of its outstanding interbank deposits issued was RMB726,139 million (31 December 2022: RMB596,629 million).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35 Debt securities issued (continued)

(e) Certificates of deposit issued

As at 31 December 2023, the certificates of deposit were issued by the Bank's Hong Kong branch, Seoul branch, Sydney branch and Luxembourg Branch measured at amortised cost. The fair value of the certificates of deposit issued approximated to their carrying amount.

(f) Medium term notes

	Notes	31 December 2023	31 December 2022
Medium term notes with floating rate maturing on 3 August 2023	(i)	–	4,863
Medium term notes with fixed rate maturing on 11 March 2024	(ii)	3,900	3,819
Medium term notes with fixed rate maturing on 15 June 2024	(iii)	4,253	4,165
Medium term notes with fixed rate maturing on 14 September 2024	(iv)	3,544	3,471
Medium term notes with fixed rate maturing on 1 December 2024	(v)	2,125	2,081
Medium term notes with fixed rate maturing on 15 December 2024	(vi)	2,123	2,077
Medium term notes with fixed rate maturing on 12 September 2025	(vii)	1,498	–
Medium term notes with fixed rate maturing on 2 March 2026	(viii)	2,830	–
Medium term notes with floating rate maturing on 12 September 2026	(ix)	3,538	–
Medium term notes with floating rate maturing on 20 September 2026	(x)	3,892	–
Medium term notes with fixed rate maturing on 18 December 2026	(xi)	353	–
Medium term notes with fixed rate maturing on 18 December 2026	(xii)	354	–
Medium term notes with fixed rate maturing on 18 December 2026	(xiii)	995	–
Medium term notes with fixed rate maturing on 19 December 2026	(xiv)	392	–
Medium term notes with fixed rate maturing on 21 December 2026	(xv)	995	–
Total		30,792	20,476

Notes:

(i) *Floating rate medium term notes of USD700.00 million with a term of three years were issued by the Bank's Hong Kong branch on 3 August 2020. The coupon rate is QUARTLY US LIBOR+85BPS per annum.*

(ii) *Fixed rate medium term notes of USD550.00 million with a term of three years were issued by the Bank's Hong Kong branch on 11 March 2021. The coupon rate is 0.93% per annum.*

(iii) *Fixed rate medium term notes of USD600.00 million with a term of three years were issued by the Bank's Hong Kong branch on 15 June 2021. The coupon rate is 0.84% per annum.*

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35 Debt securities issued (continued)

(f) Medium term notes (continued)

Notes: (continued)

(iv) Fixed rate medium term notes of USD500.00 million with a term of three years were issued by the Bank's Luxembourg branch on 14 September 2021. The coupon rate is 0.83% per annum.

(v) Fixed rate medium term notes of USD300.00 million with a term of three years were issued by the Bank's Hong Kong branch on 1 December 2021. The coupon rate is 1.27% per annum.

(vi) Fixed rate medium term notes of USD300.00 million with a term of three years were issued by the Bank's subsidiary CEB International on 15 December 2021. The coupon rate is 2.00% per annum.

(vii) Fixed rate medium term notes of RMB1.50 billion with a term of two years were issued by the Bank's Hong Kong branch on 12 September 2023. The coupon rate is 2.95% per annum.

(viii) Fixed rate medium term notes of USD400.00 million with a term of three years were issued by the Bank's Hong Kong branch on 2 March 2023. The coupon rate is 4.99% per annum.

(ix) Floating rate medium term notes of USD500.00 million with a term of three years were issued by the Bank's Hong Kong branch on 12 September 2023. The coupon rate is SOFR Compounded Index+63BPS per annum.

(x) Floating rate medium term notes of USD550.00 million with a term of three years were issued by the Bank's Sydney branch on 20 September 2023. The coupon rate is SOFR Compounded Index+63BPS per annum.

(xi) Fixed rate medium term notes of EUR45.00 million with a term of three years were issued by the Bank's Luxembourg branch on 18 December 2023. The coupon rate is 3.70% per annum.

(xii) Fixed rate medium term notes of USD50.00 million with a term of three years were issued by the Bank's Luxembourg branch on 18 December 2023. The coupon rate is 5.00% per annum.

(xiii) Fixed rate medium term notes of RMB1.00 billion with a term of three years were issued by the Bank's Luxembourg branch on 28 December 2023. The coupon rate is 3.00% per annum.

(xiv) Fixed rate medium term notes of EUR50.00 million with a term of three years were issued by the Bank's Luxembourg branch on 19 December 2023. The coupon rate is 3.66% per annum.

(xv) Fixed rate medium term notes of RMB1.00 billion with a term of three years were issued by the Bank's Luxembourg branch on 29 December 2023. The coupon rate is 3.10% per annum.

(xvi) As at 31 December 2023, the fair value of the medium term notes was RMB30,476 million (31 December 2022: RMB19,574 million).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 Other liabilities

	Notes	31 December 2023	31 December 2022
Bank loans	(a)	24,936	20,718
Payment and collection clearance accounts		9,616	13,436
Finance leases payable		6,510	6,680
Provisions	(b)	2,068	1,883
Dormant accounts		729	865
Dividend payables		23	23
Others		9,333	13,532
Total		53,215	57,137

Notes:

(a) As at 31 December 2023, the Group's subsidiary, Everbright Financial Leasing, borrowed long-term loans with terms of 1 to 10 years. Everbright Financial Leasing should repay the loans with the benefit of clear or quarterly.

(b) Provisions

	31 December 2023	*31 December 2022*
Expected credit losses on off-balance sheet items	*1,845*	*1,598*
Litigation losses	*133*	*157*
Others	*90*	*128*
Total	*2,068*	*1,883*

The reconciliation of the provision was as follows:

	2023	*2022*
As at 1 January	*1,883*	*2,213*
Net charge for the year	*186*	*(319)*
Payments for the year	*(1)*	*(11)*
As at 31 December	*2,068*	*1,883*

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37 Share capital

The Bank's shareholding structure as at the end of the year is as follows:

	31 December 2022	The number of shares increased by conversion of convertible bonds into A shares	31 December 2023
Ordinary shares listed in Chinese Mainland (A share)	41,353	5,054	46,407
Ordinary shares listed in Hong Kong (H share)	12,679	–	12,679
Total	54,032	5,054	59,086

The H shares rank pari passu in all respects with the A shares including the right to all dividend distributions declared, paid or made.

38 Other equity instruments

	Note V	31 December 2023	31 December 2022
Preference shares (Notes (a), (b), (c) and (e))		64,906	64,906
Equity of convertible bonds	35(c)	–	4,163
Perpetual bonds (Notes(d) and (e))		39,993	39,993
Total		104,899	109,062

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Other equity instruments (continued)

(a) Preference shares at the end of the year

Issue date	Dividend rate	Issue price (RMB/share)	Number of shares issued (million)	Issue amount (RMB million)	Conversion condition
Everbright P1 2015-6-19	4.45%	100	200	20,000	Mandatory conversion triggering events
Everbright P2 2016-8-8	4.01%	100	100	10,000	Mandatory conversion triggering events
Everbright P3 2019-7-15	4.80%	100	350	35,000	Mandatory conversion triggering events
Subtotal				65,000	
Less:					
Issuing costs				(94)	
Book value				64,906	

(b) Main clauses of preference shares

(i) Dividend

Fixed rate for the first 5 years after issuance.

Dividend is reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread.

The fixed spread equals to the spread between the dividend rate at the time of issuance and the benchmark rate. The fixed spread will remain unchanged throughout the term of the preference shares.

(ii) Conditions to distribution of dividends

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general reserve, and the Group's capital adequacy ratio meets regulatory requirements. The Group may elect to cancel any dividend, but such cancellation requires a shareholder's resolution to be passed.

(iii) Dividend blocker

If the Group cancels all or part of the dividends to the preference shareholders, the Group shall not make any dividend distribution to ordinary shareholders before the Group pays the dividends for the current dividend year to the preference shareholders in full.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Other equity instruments (continued)

(b) Main clauses of preference shares (continued)

(iv) Order of distribution and liquidation method

The preference shareholders are subordinated to the depositors, ordinary creditors, holders of subordinated debt, holders of Tier-two capital bonds, holders of convertible bonds and holders of perpetual bonds but have a higher priority in shares' distribution than to the ordinary shareholders.

(v) Mandatory conversion trigger events

Upon the occurrence of an Additional Tier-one Capital Triggering Event (Common equity tier-one capital Adequacy Ratio of the Group falling to 5.125% or below), the Group shall have the right to convert all or part of the preference shares into A shares, in order to restore the common equity tier-one capital Adequacy Ratio of the Group to above 5.125%; If preference shares were converted to A shares, they could not be converted to preference shares again.

Upon the occurrence of a non-viability triggering event (Earlier of the two situations: (1) CBIRC has determined that the Group would become non-viable if there is no conversion or write-down of capital; and (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Group would become non-viable), the Group shall have the right to convert all preference shares into A shares without the consent of the shareholders. If preference shares were converted to A shares, they could not be converted to preference shares again.

(vi) Redemption

Subject to the prior approval of the CBIRC and the satisfaction of the relevant requirements, the Group shall have the right to redeem all or part of the preference shares on any redeemable day (the payment date for dividends of the preference shares each year) after the fifth year following the completion date of the issuance of the preference shares. The specific commencement date of the redemption period shall be determined by the Board in line with market conditions, subject to authorisation at a shareholders' general meeting (the authorisation can be further delegated). The redemption period for the preference shares shall commence on such commencement date of the redemption period and end on the completion date of the redemption or conversion of all the preference shares. Where redemption is in part, the preference shares shall be redeemed based on the same proportion and conditions. Preference shares shall be redeemed in cash. The redemption price shall be the par value plus the dividend declared but unpaid for the relevant year.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Other equity instruments (continued)

(c) Changes in preference shares outstanding

	1 January 2023		Additions for the year		31 December 2023	
	Number of shares (million)	Carrying value	Number of shares (million)	Carrying value	Number of shares (million)	Carrying value
Preference Shares	650	64,906	–	–	650	64,906

	1 January 2022		Additions for the year		31 December 2022	
	Number of shares (million)	Carrying value	Number of shares (million)	Carrying value	Number of shares (million)	Carrying value
Preference Shares	650	64,906	–	–	650	64,906

(d) Main clauses of perpetual bonds

With the approvals by the relevant regulatory authorities in China, the Bank issued RMB40 billion of non-dated capital bonds (the "Bonds") which are written down in the domestic interbank bond market on 18 September 2020, and completed the issuance on 22 September 2020. The denomination of the Bonds is RMB100 each, and the annual coupon rate of the Bonds for the first five years is 4.60%, which is reset every 5 years.

The duration of the above bonds is the same as the period of continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may redeem the above bonds in whole or in part on each distribution payment date 5 years after the issuance date of the above bonds. Upon the occurrence of a trigger event for the write-downs, with the consent of the CBIRC and without the consent of the bondholders, the Bank has the right to write down all or part of the above bonds issued and existing at that time in accordance with the total par value. The claims of the holders of the above bonds will be subordinated to the claims of depositors, general creditors and subordinated creditors; and shall rank in priority to the claims of shareholders and will rank pari passu with the claims under any other additional tier 1 capital instruments of the Bank that rank pari passu with the above bonds.

The above bonds are paid with non-cumulative interest. The Bank shall have the right to cancel distributions on the above bonds in whole or in part and such cancellation shall not constitute a default. The Bank may at its discretion utilise the proceeds from the cancelled distributions to meet other obligations of maturing debts. But the Bank shall not distribute profits to ordinary shareholders until the resumption of full interest payment.

Capital raised from the issuance of the above bonds, after deduction of transaction costs, was wholly used to replenish the Bank's additional tier one capital and to increase its capital adequacy ratio.

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Other equity instruments (continued)

(e) Interests attributable to equity instruments' holders

Items	31 December 2023	31 December 2022
Total equity attributable to equity shareholders of the Bank	552,391	507,883
– Equity attributable to ordinary shareholders of the Bank	447,492	402,984
– Equity attributable to preference shareholders of the Bank	64,906	64,906
– Equity attributable to Perpetual bonds holders of the Bank	39,993	39,993
Total equity attributable to non-controlling interests	2,394	2,130
– Equity attributable to non-controlling interests of ordinary shares	2,394	2,130

39 Capital reserve

	31 December 2023	31 December 2022
Share premium	74,473	58,434

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Other comprehensive income

	31 December 2023	31 December 2022
Items that will not be reclassified to profit or loss		
Fair value changes on equity instruments at fair value through other comprehensive income	20	16
Remeasurement of a defined benefit plan	(895)	(703)
Subtotal	(875)	(687)
Items that will be reclassified to profit or loss		
Debt instruments at fair value through other comprehensive income	3,051	81
– Net change in fair value	1,522	(1,463)
– Net change in expected credit loss	1,529	1,544
Cash flow hedge	4	–
Exchange differences on translation of financial statements	65	16
Subtotal	3,120	97
Total	2,245	(590)

Other comprehensive income attributable to equity holders of the Bank in the condensed consolidated statement of financial position:

	Fair value change on debt instruments at fair value through other comprehensive income	Net change in ECL on debt instruments at fair value through other comprehensive income	Fair value change on equity instruments at fair value through other comprehensive income	Cash flow hedge	Exchange differences on translation of financial statements of overseas subsidiaries	Remeasure -ment of a defined benefit plan	Total
As at 1 January 2022	2,929	939	16	–	(164)	(568)	3,152
Changes in amount for the previous year	(4,392)	605	–	–	180	(135)	(3,742)
As at 1 January 2023	(1,463)	1,544	16	–	16	(703)	(590)
Changes in amount for the year	2,985	(15)	4	4	49	(192)	2,835
As at 31 December 2023	1,522	1,529	20	4	65	(895)	2,245

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41 Surplus reserve and general reserve

(a) Surplus reserve

The surplus reserve at the end of the reporting year represented statutory surplus reserve fund. The Bank is required to allocate 10% of its net profit, after making good prior year's accumulated losses, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

(b) General reserve

Pursuant to the Measures for Managing the Appropriation of Provisions of Financial Enterprises (Cai Jin [2012] No. 20) issued by the Ministry of Finance, the Bank is required to provide for impairment losses of its assets and set aside a general reserve through the appropriation of net profits to cover potential losses against its assets. The general reserve is part of the equity shareholders' interests and the general reserve through net profit should not be less than 1.5% of the period-end balance of risk-bearing assets.

The Bank's subsidiaries appropriated their profits to the general reserve according to the applicable local regulations.

The Group appropriated RMB4,760 million of profits to the general reserve for the year ended 31 December 2023 (2022: RMB5,805 million).

The Bank appropriated RMB4,397 million of profits to the general reserve for the year ended 31 December 2023 (2022: RMB4,608 million).

42 Appropriation of profits

(a) At the Board Meeting held on 27 March 2024, the Board of Directors approved the following profit appropriations for the year ended 31 December 2023:

– The accumulated amount of withdrawal has reached 50% of the Bank registered capital; According to the relevant terms of the company law, the surplus reserve can no longer be withdrawn in this profit distribution;

– Appropriated RMB4,397 million to general reserve;

– The 2023 annual dividend of RMB1,680 million should be paid to the Third preference shareholders in cash dividend RMB4.80 per share before tax base on the coupon dividend yield of 4.80%;

– Declared cash dividends of RMB10,222 million to all ordinary shareholders at 31 December 2023, representing RMB1.73 per 10 shares before tax.

The above profit appropriation is subject to the approval of the Bank's general meeting of shareholders.

(b) The Bank distributed the interest on the Undated Capital Bonds amounting to RMB1,840 million on 22 September 2023.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42 Appropriation of profits (continued)

(c) At the Annual General Meeting of Shareholders held on 21 June 2023, the Shareholders approved the following profit appropriations for the year ended 31 December 2022:

- Under the Company Law of the PRC, the Bank's statutory surplus reserve has reached 50% of its registered capital, so no further statutory surplus reserve shall be withdrawn for this profit distribution;
- Appropriated RMB4,608 million to general reserve;
- Declared cash dividends of RMB11,226 million to all ordinary shareholders, representing RMB1.90 per 10 shares before tax.

(d) At the Board Meeting held on 24 March 2023, the dividend distribution of the Everbright P3 for the year ended 2022 was approved by the Board of Directors:

- Declared cash dividends to preference shareholders of RMB1,680 million before tax, representing RMB4.80 per share before tax, accruing from 1 January 2022, and are calculated using the 4.80% of dividend yield ratio for the Everbright P3;

(e) At the Board Meeting held on 2 June 2023, the dividend distribution of the Everbright P1 for the year ended 2023 was approved by the Board of Directors:

- Declared cash dividends to preference shareholders of RMB890 million before tax, representing RMB4.45 per share before tax, accruing from 25 June 2022, and are calculated using the 4.45% of dividend yield ratio for the Everbright P1;

(f) At the Board Meeting held on 2 June 2023, the dividend distribution of the Everbright P2 for the year ended 2023 was approved by the Board of Directors:

- Declared cash dividends to preference shareholders of RMB401 million before tax, representing RMB4.01 per share before tax, accruing from 11 August 2022, and are calculated using the 4.01% of dividend yield ratio for the Everbright P2.

43 Involvement with structured entities

(a) Structured entities sponsored by third party institutions in which the Group holds an interest:

In order to make better use of the funds to obtain income, the Group has an interest in the structured entities initiated and established by third-party institutions through direct holding of investments. Structured entities that the Group does not consolidate but in which it holds interests for better investment return include fund investments and asset management plans at fair value through profit or loss, asset management plans and asset-backed securities at amortised cost.

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43 Involvement with structured entities (continued)

(a) Structured entities sponsored by third party institutions in which the Group holds an interest: (continued)

The following table sets out an analysis of the carrying amounts and maximum exposure of interests held by the Group in unconsolidated structured entities sponsored by third party institutions as at the end of the year:

	31 December 2023		31 December 2022	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Financial assets at fair value through profit or loss				
– Fund investments	296,565	296,565	214,031	214,031
– Asset management plans	8,137	8,137	52,909	52,909
Financial investments measured at amortised cost				
– Asset management plans	32,313	32,313	73,539	73,539
– Asset-backed securities	115,552	115,552	145,276	145,276
Total	452,567	452,567	485,755	485,755

(b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in:

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at 31 December 2023, the carrying amounts of the investments in the notes issued by these structured entities and management fee receivables being recognised are not material in the statement of financial positions.

As at 31 December 2023, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group is RMB1,312,263 million (31 December 2022: RMB1,185,241 million). The aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January 2023 but matured before 31 December 2023 was RMB30,187 million (2022: RMB3,421 million).

In 2023, the amount of fee and commission income received from the unconsolidated structured entities by the Group was RMB4,141 million (2022: RMB4,677 million).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43 Involvement with structured entities (continued)

(b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in: (continued)

For the purpose of asset-liability management, wealth management products may cause short-term financing needs to the Group and other banks. The Group is not contractually obliged to provide financing. After internal risk assessment, the Group may enter into transactions with these wealth management products in accordance with market principles. As at 31 December 2023, the balance of above transactions was Nil (31 December 2022: Nil). In 2023, the amount of interest receivables from the above financing transactions was not material for the Group in the statement of profit or loss.

In addition, please refer to Note V44 for the interests in the unconsolidated structured entities of asset securitization transactions held by the Group as at 31 December 2023. In 2023, the Group's income from these structured entities was immaterial.

(c) Consolidated structured entities

The consolidated structured entities of the Group are primarily the principal guaranteed wealth management products issued by the Group, and the single asset management plans and special purpose trust plans issued by third parties. The Group provides a principal guarantee commitment for the principal guaranteed financial products issued and managed by them. And investments made by these products and the corresponding liabilities to the investors of these products are presented in the respective financial asset and financial liability items based on the nature of the assets and liabilities. The Group have power over the single asset management plans and special purpose trust plans issued by third parties and has the ability to use its power over these entities to affect the amount of the Group's returns. Then Group have the controls power over these entities.

44 Transferred financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases, these transfers may give rise to full or partial de-recognition of the financial assets concerned in accordance with IFRSs. In other cases where the transferred assets do not qualify for de-recognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Credit assets backed securitization

The Group enters into credit assets transfers in the normal course of business during which it transfers credit assets to structured entities which in turn issue asset-backed securities to investors. The Group may acquire some asset-backed securities at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Transferred financial assets(continued)

Credit assets backed securitization (continued)

With respect to the credit assets that were securitised and qualified for de-recognition, the Group derecognised the transferred credit assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions was RMB29 million as at 31 December 2023 (31 December 2022: Nil).

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the transferred credit assets are recognised on the statement of financial position to the extent of the Group's continuing involvement. As at 31 December 2023, the Group has no continuing involvement in credit asset-backed securities(31 December 2022: Nil).

Transfer of right to earnings

The Group enters into transactions of transfer of right to earnings of credit assets in the normal course of business by which it transfers the right to earnings to structured entities which sell share of trust to investors.

With respect to the credit assets that were transferred and qualified for de-recognition, the Group derecognised the transferred credit assets in their entirety. As at 31 December 2023, the Group held no share in corresponding transaction.

As the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets and it has retained control on them, these financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred assets. As at 31 December 2023, loans with an original carrying amount of RMB1,998 million (31 December 2022: RMB1,998 million) had been transferred by the Group under arrangements in which the Group retains a continuing involvement in such assets in the form of subordinated tranches, which were accounted for in other assets and other liabilities. As at 31 December 2023, the carrying amount of assets that the Group continues to recognise amounted to RMB251 million (31 December 2022: RMB251 million).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45 Capital management

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with the relevant capital regulatory requirements. The capital of the Group is categorised into common equity tier-one capital, additional tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading global banks with reference to the Group's own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio. The required information is filed with the CBIRC by the Group and the Bank quarterly.

With effect from 1 January 2013, the Group has started computing its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" and other relevant regulations.

According to the Regulation Governing Capital of Commercial Banks (provisional), the capital adequacy ratio of commercial banks at all levels shall not be lower than the following minimum requirements: common equity tier-one capital adequacy ratio shall not be less than 5%, tier-one capital adequacy ratio shall not be less than 6%, and capital adequacy ratio shall not be less than 8%. Commercial banks should set aside reserve capital on the basis of minimum capital requirement which is 2.5% of risk-weighted assets and is met by common equity tier-one capital. In certain circumstances, commercial banks should provide counter-cyclical capital above the minimum capital requirement and reserve capital requirement, which is 0% to 2.5% of risk-weighted assets and is met by common equity tier-one capital. According to the requirements of the Additional Regulatory Provisions on Systemically Important Banks (Provisional), systemically important banks should meet certain additional capital requirements which are met by common equity tier-one capital, on the basis of meeting the minimum capital requirements, and reserve capital and counter-cyclical capital requirements. The Group is in the first group on the list of systemically important banks, and needs to meet the additional capital requirement of 0.25%, which became effective on 1 January 2023. In addition, subsidiaries or branches of the bank incorporated overseas are also directly regulated and supervised by their respective local banking supervisors, respectively. There are differences in the capital adequacy requirements of different countries.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. The counterparty credit risk-weighted assets for over-the-counter ("OTC") derivatives are the summation of default risk-weighted assets and credit value adjustment ("CVA"). Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using the basic indicator approach.

The Group has computed its capital adequacy ratios and related data in accordance with PRC accounting standards. During the reporting year, the Group complied with the capital requirements imposed by the regulatory authorities.

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45 Capital management (continued)

The Group calculates the capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" and relevant requirements are as follows:

	31 December 2023	31 December 2022
Total common equity tier-one capital	448,686	404,205
Share capital	59,086	54,032
Qualifying portions of capital reserve, other equity instruments and other comprehensive income	76,722	62,007
Surplus reserve	26,245	26,245
General reserve	86,161	81,401
Retained earnings	199,276	179,293
Qualifying portions of non-controlling interests	1,196	1,227
Common equity tier-one capital deductions	(5,586)	(4,809)
Goodwill	(1,281)	(1,281)
Other intangible assets other than land use rights	(4,295)	(3,475)
Net deferred tax assets arising from operating losses that depend on future profits	(10)	(53)
Net common equity tier-one capital	443,100	399,396
Additional tier-one capital	105,059	105,063
Additional tier-one capital instruments	104,899	104,899
Qualifying portions of non-controlling interests	160	164
Tier-one capital net	548,159	504,459
Tier-two capital	103,223	88,759
Qualifying portions of tier-two capital instruments issued and share premium	59,997	45,000
Excess loan loss provisions	41,899	42,287
Qualifying portions of non-controlling interests	1,327	1,472
Net capital base	651,382	593,218
Total risk-weighted assets	4,824,278	4,579,772
Common equity tier-one capital adequacy ratio	9.18%	8.72%
Tier-one capital adequacy ratio	11.36%	11.01%
Capital adequacy ratio	13.50%	12.95%

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46 Notes to consolidated cash flow statements

(a) Net increase in cash and cash equivalents

	31 December 2023	31 December 2022
Cash and cash equivalents as at 31 December	123,902	136,664
Less: Cash and cash equivalents as at 1 January	136,664	222,583
Net decrease in cash and cash equivalents	(12,762)	(85,919)

(b) Cash and cash equivalents

	31 December 2023	31 December 2022
Cash on hand	4,361	4,022
Deposits with the central bank	64,428	67,141
Deposits with banks and other financial institutions	36,427	31,084
Placements with banks and other financial institutions	18,686	34,417
Total	123,902	136,664

(c) Reconciliation of liabilities arising from financing activities

	Debt securities issued	Lease liabilities	Dividend payables	Total
As at 1 January 2023	875,971	10,151	23	886,145
Financing cash flows	215,245	(3,156)	(16,070)	196,019
Non-cash changes				
– Interest expense	25,040	397	–	25,437
– Net increase in leases	–	2,957	–	2,957
– Convertible corporate bonds to increase share capital and capital reserve	(16,930)	–	–	(16,930)
– Appropriation of profits	–	–	16,070	16,070
As at 31 December 2023	1,099,326	10,349	23	1,109,698

	Debt Securities issued	Lease liabilities	Dividend payables	Total
As at 1 January 2022	763,532	10,736	22	774,290
Financing cash flows	89,319	(3,101)	(15,690)	70,528
Non-cash changes				
– Interest expense	23,120	428	–	23,548
– Net increase in leases	–	2,088	–	2,088
– Appropriation of profits	–	–	15,691	15,691
As at 31 December 2022	875,971	10,151	23	886,145

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Related party relationships and transactions

(a) Related parity relationships

(i) The ultimate parent company and its subsidiaries

The ultimate controlling party of the Group is China Investment Corporation ("CIC") set up in China.

Approved by the State Council of the PRC, CIC was established on 29 September 2007 with registered capital of USD200 billion. Central Huijin Investment Ltd. ("Huijin") is a wholly-owned subsidiary of CIC and exercises its rights and obligations as an investor on behalf of CIC to ultimately control the Bank through the China Everbright Group.

Huijin was established as a wholly state-owned investment company on 16 December 2003. It was registered in Beijing with registered capital of RMB828,209 million. Apart from holding equity investments as authorised by the State Council of the PRC, it does not engage in any other commercial operations.

The Group's transactions with CIC, Huijin and its affiliates mainly include deposit taking, purchases and sales of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts, financial bonds, interbank deposits and certificates of deposit which are bearer bonds tradable in the secondary market. Accordingly, the Group has no information in respect of the amount of the debts held by these banks and other financial institutions as at the end of the year. The amount and balance of related parties and transactions between the group and the ultimate parent company and its subsidiaries are listed in Note V47(b).

(ii) Affiliated companies

The immediate parent of the Group is China Everbright Group Ltd. ("China Everbright Group"). The uniform social credit code of China Everbright Group is 91100000102063897J. The affiliated companies refer to China Everbright Group and its affiliated companies. The transactions and balances with China Everbright Group and its affiliates are listed in Note V 47(b).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Related party relationships and transactions (continued)

(a) Related parity relationships (continued)

(ii) Affiliated companies (continued)

The affiliated companies that have related party transactions with the Group are as follows:

Related party

- CEL Elite Limited
- Beijing Financial Assets Co., Ltd.
- Da Cheng Fund Management Co., Ltd.
- Ganzhou Light Control Soviet Area High Quality Development Industry Investment Fund (Limited Partnership)
- Everbright Prudential Fund Management Co., Ltd.
- China Everbright Environment Group Limited
- Everbright Financial Holdings Asset Management Co., Ltd.
- Everbright Jinou Asset Management Co., Ltd.
- Everbright Technology Co., Ltd.
- Everbright Futures Co., Ltd.
- Everbright Xinglong Trust Co., Ltd.
- Everbright Happiness Financial Leasing Co., Ltd.
- Everbright Life Insurance Co., Ltd.
- Sun Light Everbright Asset Management Co., Ltd.
- Everbright Securities Company Limited
- China Everbright Real Estate Co., Ltd.
- CDB Jinzhan Economic and Trade Co., Ltd.
- Jia Shi Guo Run(Shanghai) Medical Technology Co., Ltd.
- Kunshan Development Zone Guangkong Digital Industry
- Qingdao Light Control Low Carbon Xinneng Equity Investment Co., Ltd.
- Everbright Securities Asset Management Co., Ltd.
- Shanghai Guangkong Jiaxin Equity Investment Management Co., Ltd.
- Shanghai Jiashi Jiayi Medical Equipment Co., Ltd.
- Shanghai Jiashi Minglun Medical Equipment Co., Ltd.
- Everbright Prestige Capital Asset Management Co., Ltd.
- Yixing Huankeyuan Optical Control Investment Co., Ltd.
- Everbright Finance (Shanxi) Advanced Manufacturing Investment Partnership (Limited Partnership)
- Huadian Financial Leasing Co., Ltd.
- Tianjin Guangkong Chengfa Investment Management Partnership (Limited Partnership)
- China Everbright Limited
- China Everbright industry (Group) Co., Ltd.
- Sichuan Jiashi Rongjin Pharmaceutical Co., Ltd.
- Zhangjiakou Guanghe Xiangda Property Service Co., Ltd.
- China CYTS Group Corporation

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Related party relationships and transactions (continued)

(a) Related parity relationships (continued)

(iii) Other related parties

Other related parties include key management personnel (directors, supervisors, senior management personnel of the head office) and their close family members, enterprises controlled, jointly controlled or exerted significant influence by key management personnel or their close family members, shareholders holding more than 5% shares of the Group and the key management personnel in direct control party.

The other related parties that have related party transactions with the Group are as follows:

Other related parties

- Beijing CYTS Trank Technology Co., Ltd.
- Orient Securities Co., Ltd.
- Everbright One Belt, One Road Green Equity Investment Fund Partnership (limited Partnership)
- Guangkong Zhengzhou Guotou New Industry Investment Fund Partnership (limited Partnership)
- Hunan OCT Cultural Tourism Investment Co., Ltd.
- Overseas Chinese Town Holding Company
- China Huarong Financial Leasing Co., Ltd.
- Huarongtianze Investment Company Limited
- World Oriental International Container (Qidong) Co., Ltd.
- Jinhua Future Real Estate Co., Ltd.
- Konka Group Co., Ltd.
- Kunming Investment Partnership (limited Partnership)
- Shenneng Group Finance Co., Ltd.
- Shenzhen Overseas Chinese Town Co., Ltd.
- Xi'an Branch of Digital China Rongxin Cloud Technology Service Co., Ltd.
- Wuhan Qingshan Ancient Town Real Estate Co., Ltd.
- China Merchants Securities Co., Ltd.
- Zhongfei Xianqing Leasing (Tianjin) Co., Ltd
- Zhongfei Leasing Finance Leasing Co., Ltd.
- CSSC (Hong Kong) Shipping Company Limited
- CHINA AIRCRAFT LEASING LIMITED
- China International Marine Containers (Group) Co., Ltd.
- China CITIC Financial Asset Management Co., Ltd.
- China Cinda Asset Management Co., Ltd.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Related party relationships and transactions (continued)

(a) Related parity relationships (continued)

(iii) Other related parties (continued)

Other related parties (continued)

- China Aircraft Recycling & Remanufacturing Limited
- China Shipping & Sinopec Suppliers Co., Ltd.
- COSCO SHIPPING Development (HONG KONG) Co., Ltd.
- COSCO SHIPPING Group Finance Co., Ltd.
- COSCO SHIPPING Investment Holdings Co., Limited
- China SHIPPING Cargo Services Co., Ltd.
- ZJ Tianlu Leasing (Tianjin) Co., Ltd.
- Beijing Gubei Water Town Tourism Co., Ltd.
- Xiangyang OCT Culture and Tourism Development Co., Ltd.
- Ningbo Hejiang Real Estate Co., Ltd.
- Shenzhen Zhaohua Exhibition Industry Co., Ltd.
- Terminus Technology Group Co., Ltd.
- Zhongfei Baoqing Leasing (Tianjin) Co., Ltd
- China Pacific Property Insurance Co., Ltd.
- China Ocean Shipping (Group) Company
- ZJ Yongle Leasing (Tianjin) Co., Ltd.
- CIMC Finance Leasing Co., Ltd.
- COSCO Shipping Container Transportation Co., Ltd.
- COSCO SHIPPING Technology Co., Ltd.

The amount and balance of transactions between the Group and other related parties are shown in Note V47(b).

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Related party relationships and transactions (continued)

(b) Related party transactions

(i) The ultimate parent company and its subsidiaries

The Group's material transactions with CIC, Huijin and its affiliates during the reporting period are summarised as follows:

	2023	2022
Interest income	984	730
Interest expense	8,553	5,902

The Group's material balances with CIC, Huijin and its affiliates during the reporting period are summarised as follows:

	31 December 2023	31 December 2022
Deposits with banks and other financial institutions	4,616	8,143
Precious metal	2,557	6
Placements with banks and other financial institutions	22,055	23,419
Derivative financial assets	2,697	3,128
Financial assets held under resale agreements	10,878	28
Loans and advances to customers	20	100
Financial investments	335,428	340,056
Financial assets at fair value through profit or loss	103,533	122,064
Debt instruments at fair value through other comprehensive income	72,259	51,592
Financial investments measured at amortised cost	159,636	166,400
Other assets	740	814
Total	378,991	375,694
Deposits from banks and other financial institutions	104,479	121,788
Placements from banks and other financial institutions	60,985	64,165
Derivative financial liabilities	2,959	3,215
Financial assets sold under repurchase agreements	–	17,281
Deposits from customers	88,215	108,483
Other liabilities	1,209	1,025
Total	257,847	315,957

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Related party relationships and transactions (continued)

(b) Related party transactions (continued)

(ii) Transactions with other PRC state-owned entities

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations ("state-owned entities"). Transactions with other state-owned entities include but are not limited to: lending and deposit taking; taking and placing of inter-bank balances; entrusted lending and other custody services; insurance and securities agency, and other intermediary services; sale, purchase, underwriting and redemption of bonds issued by other state-owned entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether or not the customers are state-owned entities. Having considered the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(iii) Affiliated companies and other related parties

The Group's material transactions and balances with China Everbright Group and the above related parties during the reporting year are summarised as follows:

	China Everbright Group	Affiliated companies	Others	Total
Transactions with related parties for year ended 31 December 2023:				
Interest income	–	1,383	982	2,365
Interest expense	260	658	605	1,523

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Related party relationships and transactions (continued)

(b) Related party transactions (continued)

(iii) Affiliated companies and other related parties (continued)

The Group's material transactions and balances with China Everbright Group and the above related parties during the reporting year are summarised as follows: (Continued)

	China Everbright Group	Affiliated companies	Others	Total
Balances with related parties as at 31 December 2023:				
Precious metal	–	451	412	863
Placements with banks and other financial institutions	–	1,454	16,505	17,959
Derivative financial assets	–	–	23	23
Loans and advances to customers	–	3,588	15,558	19,146
Financial investments	222	23,169	8,056	31,447
Financial assets at fair value through profit or loss	222	23,003	2,243	25,468
Debt instruments at fair value through other comprehensive income	–	–	2,990	2,990
Financial investments measured at amortised cost	–	166	2,823	2,989
Other assets	–	106	1,608	1,714
Total	222	28,768	42,162	71,152
Deposits from banks and other financial institutions	–	15,120	11,888	27,008
Derivative financial liabilities	–	–	18	18
Deposits from customers	14,304	11,656	5,573	31,533
Other liabilities	–	189	1,957	2,146
Total	14,304	26,965	19,436	60,705
Significant other sheet items with related parties as at 31 December 2023:				
Guarantee granted (Note)	180	–	–	180

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Related party relationships and transactions (continued)

(b) Related party transactions (continued)

(iii) Affiliated companies and other related parties (continued)

The Group's material transactions and balances with China Everbright Group and the above related parties during the reporting year are summarised as follows: (Continued)

	China Everbright Group	Affiliated companies	Others	Total
Transactions with related parties for the year ended 31 December 2022:				
Interest income	–	4,289	407	4,696
Interest expense	105	708	1,136	1,949
Balances with related parties as at 31 December 2022:				
Placements with banks and other financial institutions	–	3,100	2,000	5,100
Derivative financial assets	–	–	13	13
Loans and advances to customers	–	3,822	9,528	13,350
Financial investments	272	21,462	706	22,440
Financial assets at fair value through profit or loss	272	21,356	–	21,628
Debt instruments at fair value through other comprehensive income	–	41	77	118
Financial investments measured at amortised cost	–	65	629	694
Other assets	–	119	161	280
Total	272	28,503	12,408	41,183
Deposits from banks and other financial institutions	–	20,958	16,648	37,606
Derivative financial liabilities	–	–	20	20
Deposits from customers	5,164	10,387	22,138	37,689
Other liabilities	–	192	2,222	2,414
Total	5,164	31,537	41,028	77,729
Significant other sheet items with related parties as at 31 December 2022:				
Guarantee granted (Note)	180	–	–	180

Note: As at 31 December 2023, the Bank has guarantee obligations relating to China Everbright Group's outstanding interest obligation of RMB180 million (31 December 2022: RMB180 million) due to one of the state-owned commercial banks.

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Related party relationships and transactions (continued)

(b) Related party transactions (continued)

(iv) Remuneration of directors, supervisors and senior management

	2023 RMB'000	2022 RMB'000
Remuneration	21,085	24,427
– Retirement benefits	1,831	1,903
– Basic social pension insurance	621	587

The total compensation packages for senior management of the Group as at 31 December 2023 have not been finalised in accordance with the regulations of the PRC relevant authorities. The remuneration not yet accrued is not expected to have a significant impact on the Group's and the Bank's financial statements as at 31 December 2023.

(v) Loans to related natural persons

The aggregate amount of relevant loans outstanding as at 31 December 2023 to related natural persons amounted to RMB7 million (As at 31 December 2022: RMB9 million).

Of which the aggregate amount of relevant loans outstanding to directors, supervisors and senior management, are as follows:

The aggregate amount of relevant loans outstanding to directors, supervisors, senior management or their associates of the Group disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance, with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Aggregate amount of relevant loans outstanding as at the year end	4,581	8,199
Maximum aggregate amount of relevant loans outstanding during the year	4,956	8,308

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Statement of financial position of the Bank

	Note V	31 December 2023	31 December 2022
Assets			
Cash and deposits with the central bank		348,606	356,253
Deposits with banks and other financial institutions		22,823	28,279
Precious metals		6,916	7,187
Placements with banks and other financial institutions		153,835	137,450
Derivative financial assets		13,324	15,726
Financial assets held under resale agreements		56,127	–
Loans and advances to customers		3,704,549	3,489,051
Financial investments		2,214,355	2,031,064
– Financial assets at fair value through profit or loss		449,847	398,106
– Debt instruments at fair value through other comprehensive income		555,215	443,869
– Equity instruments at fair value through other comprehensive income		1,127	1,121
– Financial investments measured at amortised cost		1,208,166	1,187,968
Investment in subsidiaries	19	12,983	12,983
Property and equipment		16,066	16,403
Right-of-use assets		10,318	10,122
Goodwill		1,281	1,281
Deferred tax assets		32,562	31,146
Other assets		25,186	32,121
Total assets		6,618,931	6,169,066

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Statement of financial position of the Bank (continued)

	31 December 2023	31 December 2022
Liabilities and equity		
Liabilities		
Due to the central bank	99,488	63,231
Deposits from banks and other financial institutions	554,964	544,410
Placements from banks and other financial institutions	115,644	105,321
Derivative financial liabilities	13,943	14,257
Financial assets sold under repurchase agreements	52,227	89,959
Deposits from customers	4,094,098	3,915,781
Accrued staff costs	19,412	18,473
Taxes payable	6,518	9,836
Lease liabilities	10,259	9,993
Debts securities issued	1,093,182	872,278
Other liabilities	19,865	27,151
Total liabilities	6,079,600	5,670,690
Equity		
Share capital	59,086	54,032
Other equity instrument	104,899	109,062
of which: Preference shares	64,906	64,906
Perpetual bonds	39,993	39,993
Capital reserve	74,473	58,434
Other comprehensive income	2,322	(453)
Surplus reserve	26,245	26,245
General reserve	81,826	77,429
Retained earnings	190,480	173,627
Total equity	539,331	498,376
Total liabilities and equity	6,618,931	6,169,066

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49 Segment reporting

The Group manages its business by business lines and geographical areas. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations and government agencies. These products and services include corporate loans and advances, trade financing and deposit taking activities, agency services, cash management services, financial consulting and advisory services, remittance and settlement services and guarantee services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans, deposit taking activities, bank card business, personal wealth management services, remittance services and securities agency services.

Financial market business

This segment covers the Group's financial market business. The financial market business enters into inter-bank money market transactions, repurchase transactions and inter-bank investments. It also trades in debt securities, derivatives and foreign currency trading for its own accounts. The financial market business segment also covers customer-driven derivatives and foreign currency trading, as well as management of the Group's overall liquidity position, including the issuance of debts.

Others

These represent equity investments and related income.

Measurement of segment assets and liabilities and measurement of segment income, expenses and results are based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred to acquire property and equipment, intangible assets and other long-term assets.

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49 Segment reporting (continued)

(a) Segment results, assets and liabilities

	2023				
	Corporate banking	Retail banking	Financial market business	Others	Total
Operating income					
External net interest income	22,663	59,217	25,600	–	107,480
Internal net interest income/(expense)	22,057	(10,455)	(11,602)	–	–
Net interest income	44,720	48,762	13,998	–	107,480
Net fee and commission income	6,913	16,115	670	–	23,698
Net trading gains	–	–	3,233	–	3,233
Dividend income	–	–	–	44	44
Net gains/(losses) arising from investment securities	330	–	9,728	(1,132)	8,926
Net losses on derecognition of financial assets measured at amortised cost	–	–	(555)	–	(555)
Foreign exchange gains	270	58	797	–	1,125
Other net operating income	1,715	21	1	47	1,784
Operating income	53,948	64,956	27,872	(1,041)	145,735
Operating expenses	(17,347)	(24,666)	(1,785)	(111)	(43,909)
Credit impairment losses	(12,578)	(33,545)	(5,952)	–	(52,075)
Other impairment losses	(24)	(4)	(2)	–	(30)
Gains on investments of joint ventures	–	–	–	36	36
Profit/(Losses) before tax	23,999	6,741	20,133	(1,116)	49,757
Other segment information					
– Depreciation and amortisation	3,024	3,443	263	–	6,730
– Capital expenditure	1,967	2,998	189	–	5,154

	31 December 2023				
	Corporate banking	Retail banking	Financial market business	Others	Total
Segment assets	2,637,211	1,676,631	2,418,605	5,094	6,737,541
Segment liabilities	3,050,710	1,338,226	1,826,215	2,837	6,217,988

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

	2022				
	Corporate banking	Retail banking	Financial market business	Others	Total
Operating income					
External net interest income	20,821	67,033	25,801	–	113,655
Internal net interest income/(expense)	27,544	(19,537)	(8,007)	–	–
Net interest income	48,365	47,496	17,794	–	113,655
Net fee and commission income	7,522	18,399	823	–	26,744
Net trading gains	–	–	2,470	–	2,470
Dividend income	–	–	–	49	49
Net gains arising from investment securities	438	–	5,912	66	6,416
Net gains on derecognition of financial assets measured at amortised cost	–	–	858	–	858
Foreign exchange gains	245	48	191	–	484
Other net operating income	1,049	55	3	82	1,189
Operating income	57,619	65,998	28,051	197	151,865
Operating expenses	(18,176)	(25,006)	(1,899)	(146)	(45,227)
Credit impairment losses	(13,596)	(34,630)	(2,374)	–	(50,600)
Other impairment losses	(3)	(4)	(2)	–	(9)
Losses on investments of joint ventures	–	–	–	(63)	(63)
Profit/(Losses) before tax	25,844	6,358	23,776	(12)	55,966
Other segment information					
– Depreciation and amortisation	2,866	3,226	266	–	6,358
– Capital expenditure	1,819	2,672	176	–	4,667

	31 December 2022				
	Corporate banking	Retail banking	Financial market business	Others	Total
Segment assets	2,453,436	1,673,543	2,133,844	5,703	6,266,526
Segment liabilities	2,977,717	1,176,387	1,632,788	3,582	5,790,474

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

Reconciliation between segment assets, liabilities and total assets and total liabilities:

	Note V	31 December 2023	31 December 2022
Segment assets		6,737,541	6,266,526
Goodwill	22	1,281	1,281
Deferred tax assets	23	33,974	32,703
Total assets		6,772,796	6,300,510
Segment liabilities		6,217,988	5,790,474
Dividend payables	36	23	23
Total liabilities		6,218,011	5,790,497

(b) Geographical information

The Group operates principally in China with branches located in main provinces, autonomous regions and municipalities directly under the central government. Also, the Group has set up branches in Hong Kong, Luxembourg, Seoul, Sydney and Macao, with subsidiaries located in Beijing, Wuhan city of Hubei Province, Shaoshan city of Hunan Province, Huai'an city of Jiangsu Province, Ruijin city of Jiangxi Province, Qingdao city of Shandong Province, Hong Kong and Luxembourg.

Non-current assets include property and equipment, right-of-use assets, land use rights and intangible assets. In presenting of geographical information, non-current assets are allocated based on geographical locations of the underlying assets. Operating income is allocated based on the locations of the branches which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

– "Yangtze River Delta" refers to the following areas serviced by the following branches of the Bank and Huai'an Everbright Bank: Shanghai, Nanjing, Hangzhou, Suzhou, Ningbo and Wuxi;

– "Pearl River Delta" refers to the areas serviced by the following branches of the Bank: Guangzhou, Shenzhen, Fuzhou, Xiamen and Haikou;

– "Bohai Rim" refers to the areas serviced by the following branches of the Bank, Everbright Wealth and Sunshine Consumer: Beijing, Tianjin, Shijiazhuang, Jinan, Qingdao and Yantai;

– "Central" refers to the areas serviced by the following subsidiaries and branches of the Bank, Everbright Financial Leasing, Shaoshan Everbright Bank and Ruijin Everbright Bank: Zhengzhou, Taiyuan, Changsha, Wuhan, Hefei and Nanchang;

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49 Segment reporting (continued)

(b) Geographical information (continued)

– "Western" refers to the areas serviced by the following branches of the Bank: Xi'an, Chengdu, Chongqing, Kunming, Nanning, Hohhot, Urumchi, Guiyang, Lanzhou, Xining, Yinchuan and Lhasa;

– "Northeastern" refers to the areas serviced by the following branches of the Bank: Heilongjiang, Changchun, Shenyang and Dalian;

– "Overseas" refers to the areas serviced by the Bank and the following branches, CEB International, CEB Europe: Hong Kong, Seoul, Luxembourg, Sydney, Macao; and

– "Head Office" refers to the head office of the Bank.

	Operating Income								
	Yangtze River Delta	Bohai Rim	Head Office	Central	Pearl River Delta	Western	North eastern	Overseas	Total
2023	25,697	25,622	22,797	24,748	20,304	17,997	5,634	2,936	145,735
2022	28,355	27,202	20,771	26,434	21,625	18,587	5,889	3,002	151,865

	Non-current Asset (Note (i))								
	Yangtze River Delta	Bohai Rim	Head Office	Central	Pearl River Delta	Western	North eastern	Overseas	Total
31 December 2023	3,618	3,277	12,744	12,970	3,506	3,009	1,138	352	40,614
31 December 2022	3,704	3,408	12,191	12,995	3,241	2,763	1,214	491	40,007

Note:

(i) Including property and equipment, right-of-use assets, intangible assets and land use rights.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management

The goal of the Group's financial risk management is to optimise capital allocation and achieve value creation within an acceptable range of risks, while meeting the requirements of regulatory authorities, depositors, and other stakeholders for the stable operation of banks. The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

The Group's risk management policies were established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Internal Audit Department of the Group undertakes both regular and ad hoc reviews of the compliance of internal control implementation with risk management policies.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios and guarantees granted.

Credit business

The board of directors is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies. The board gives advice on internal controls relating to risk management. Senior management is responsible for the implementation of the development strategy, risk strategy and risk management policies set by the board of directors. Senior management is responsible for the improvement of the risk management system and establishment of risk management policies and rules. Senior management is responsible for establishment of procedures and standards to identify, measure, evaluate, monitor and control credit risks. And senior management is responsible for the management of all types of risks and ensure that the business activities of the Bank are consistent with the risk strategy, risk appetite and risk policies adopted by the board of directors.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(a) Credit risk (continued)

Credit business (continued)

The business lines of the Group are directly responsible for the management of credit risk. The Risk Management Department is responsible for the development of risk management policies and procedures, and the monitoring and management of credit risks. The Internal Audit Department is responsible for auditing the performance of duties of business lines and the Risk Management Department, specifically as follows:

– The Corporate Finance Department/Strategic Account Department, Investment Banking Department, Inclusive Finance Department/Rural Revitalization Finance Department, Credit Card Centre, Retail Credit Department, Digital Finance Department/E-cloud Banking Services Department and other business lines carry out corporate and retail business in accordance with the risk management policies and procedures of the Bank. The business lines are directly responsible for the management of credit risk, and they are the first line of defence of internal control. The business lines independently control the customer relationship and the whole process of specific business in the duration, and they are firstly responsible for the compliance and security of the business.

– The Bank's main responsible departments for credit risk management are the Risk Management Department, Credit Approval Department, Risk Monitoring Department, and Special Asset Management Department/Asset Management Department. They are the second line of defence of the internal control in credit risk management, and they are responsible for the overall supervision of credit risk management. The functional departments of credit risk management determine their functional positioning in accordance with the basic procedures of "Policy and technology – Investigation and approval – During and post-lending monitoring – Collection and Resolution".

– The Internal Audit Department is the third line of defence of credit risk management, and undertakes the responsibility of supervision and performance evaluation.

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

For corporate businesses, the Group has established industry-specific limits for credit and investment approval. It has put in place dynamic monitoring mechanism, with regular reporting of credit exposures to the board. The Group's credit risk management covers key operational phases, including pre-lending evaluations, credit approval, loan payment and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, the Group has stablished standardized system and procedures for credit evaluation and approval in accordance with the principle of separation of duties for approval and lending as well as the hierarchical approval principle. All credit applications are approved by designated credit officers. In the loan payment phase, an independent responsible department has been established to manage and control the payment of the loan, ensuring that the payment conforms with the intended use of the loan approved. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(a) Credit risk (continued)

Credit business (continued)

For personal credit operation business, the Group implemented control processes of "separation of review and approval, separation of approval and lending, separation of approval and mortgage registration, and separation of loan management and archival keeping" to effectively control the operational risk. During the pre-loan process, client managers are required to assess the income level, credit history, repayment ability and collateral condition of the applicant to strengthen the credit evaluation of the applicant. During the review and approval process, the client managers forward the application and their recommendations to the loan-approval departments for further approval, and a standardized review and approval policies and process in accordance with the principle of "separation of review and approval" and "hierarchical approval" have been established for this process. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process in accordance with its standardized loan recovery procedures.

The Group adopts a financial asset risk classification approach to manage its financial asset portfolio risk. Financial assets are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be non-performing assets. The Group measures and manages the quality of the financial assets of the Group in accordance with the *Measures for the Risk Classification of Financial Assets of Commercial Banks* (Decree No.1 of CBIRC in 2023).

The core definitions of the five categories of loans and advances financial assets are set out below:

Normal:	Debtors can perform the contract and there is no objective evidence that the principal, interest or proceeds cannot be paid in full and on time.
Special mention:	Although there are currently a number of factors that may adversely affect the performance of the contract, the debtors are currently able to pay the principal, interest or proceeds.
Substandard:	Debtors are unable to pay the principal, interest or income in full, or the financial assets have suffered credit impairment.
Doubtful:	Debtors have been unable to pay the principal, interest or income in full, and the financial assets have suffered significant credit impairment.
Loss:	After all possible measures taken, only a very small part of the financial assets can be recovered, or all of the financial assets can be lost.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(a) Credit risk (continued)

Credit business (continued)

The Bank implemented a customer credit rating system based on the PD model. The PD model predicts the PD for customers in the coming year. The risk rating of the customer is obtained through mapping relationship. The Group conducts recheck and optimization testing of the model according to the customer's actual default each year to better identify the credit risk.

The customer credit ratings in the internal model are based on four categories of A, B, C and D which are further classified into twenty four grades as AAA+, AAA, AAA-, AA+, AA, AA-, A+, A, A-, BBB+, BBB, BBB-, BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C and D. Credit grading D equates to defaulted customers while the others are assigned to performing customers.

Management periodically reviews various elements of the Group's credit risk management process, in the context of loan portfolio growth, the changing mix and concentration of assets, and the evolving risk profile of the credit portfolio. From time to time, in this regard, refinements are made to the Group's credit risk management processes to most effectively manage the effects of these changes on the Group's credit risk. These refinements include, among other things, adjustments to portfolio level controls, such as revisions to lists of approved borrowers, industry limits and underwriting criteria. Where circumstances related to specific loans or a group of loans increase the Bank's credit risk, actions are taken, to the extent possible, to strengthen the Group's security position.

Financial market business

The Group will incorporate the financial market business that bears credit risk into its unified credit management system, and ensures that the credit risk level borne by the financial market business meets the Group's risk appetite through differentiated access standards. Relevant standards will be dynamically adjusted.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(a) Credit risk (continued)

Credit risk measurement

Measurement of ECL

The ECL is a weighted average of credit losses on financial instruments weighted at the probability of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage 1: The financial instruments without significant increases in credit risk after initial recognition are included in Stage 1 to calculate their impairment allowance at an amount equivalent to the ECL of the financial instrument for the next 12 months;

- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage 2, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;

- Stage 3: Financial assets with objective evidence of impairment at the end of the reporting year are included in Stage 3, with their impairment allowance measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

For the previous accounting year, the impairment allowance was measured at the amount equivalent to the ECL over the entire lifetime of the financial instrument. However, on the balance sheet date, if there is no significant increase in credit risk since initial recognition of the financial instrument, the Group measures the impairment allowance of the financial instruments on the balance sheet date according to the ECL in the next 12 months.

For purchased or originated credit-impaired financial assets, the Group only recognises the lifetime cumulative change in ECL after initial recognition on the balance sheet date as impairment allowance. On the balance sheet date, the Group recognises the amount of the changes in ECL as an impairment loss or gain in profit or loss.

The Group shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

- The time value of money;

- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(a) Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL (continued)
When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group conducted an assessment of ECL according to forward-looking information and used complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group adopts judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial asset
- Parameters for measuring ECL
- Forward-looking information
- Risk grouping

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition on the balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group and external credit risk rating. 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 balance sheet 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 Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(a) Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL (continued)
Criteria for judging significant increases in credit risk (continued)

Quantitative criteria

- On the balance sheet date, the absolute and relative changes in customer default probability exceeded a certain range

Qualitative criteria

- Significant adverse change in debtors' operation or financial status
- Be classified into Special Mention category within five-tier loan classification

Backstop criteria

- The debtor's contractual payments (including principal and interest) are more than 30 days past due

The Group continued to make judgments based on substantive risk assessment and comprehensively considered the operations and repayment capacity of borrowers, and to assess whether the credit risk of relevant financial instruments had increased significantly since initial recognition.

Definition of credit-impaired assets

The standard adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(a) Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL (continued)
Definition of credit-impaired assets (continued)

- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;

- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

- The debtor leaves any of the principal, advances, interest or investments in corporate bonds of the Group overdue for more than 90 days.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Mainly based on the requirements of IFRS 9, the Group takes into account the historical statistics (such as ratings of counterparties, manners of guarantees and types of collateral and repayments) and forward-looking information in order to establish the model of PD, LGD and ECL.

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the result of the credit risk rating of customers, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment.

- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the difference of credit products, and the type of collateral, the LGD varies. The LGD is the percentage of loss of risk exposure after the time of default, based on historical statistics, the loss rate may be different in various economic environments.

- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(a) Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL (continued)
Forward-looking information

The calculation of ECL involves forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types, such as GDP, CPI, investment in property and equipment.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Group combined statistic model and experts' judgement in this process and according to the result of model and experts' judgement, the Group predicts these economic indicators at least every half year and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

In 2023, the key assumptions the Group has taken include the GDP growth rate, the CPI growth rate and the investment in property and equipment growth rate. The GDP growth rate of the prediction under the base economic scenario during the year of 2024 is 4.97%, with the optimistic prediction being 5.15%, the pessimistic prediction being 2.86%.

In addition to providing a baseline economic scenario, the Group combines statistic model with experts' judgement to determine the weight of the other possible scenarios. The Group measures the weighted average ECL of 12 months (Stage 1) or lifetime (Stage 2 and Stage 3). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

The Group conducts sensitivity analysis on the main economic indicators used in forward-looking information. When the predicted value of the main economic indicators changes by 10%, the difference between the hypothetical expected credit loss and the current expected credit loss measurement does not exceed 5%.

Risk grouping

The Group groups financial assets with similar credit risk characteristics when measuring expected credit losses. According to the nature of the business, the financial assets of the Group are categorised into corporate business, interbank business, debt securities business, retail business and credit card business according to the business categories, within which the risk groups are further categorised according to the credit risk characteristics such as product type, customer industry and internal risk assessment pool. The Group regularly reviews the reasonableness of the groupings. When the credit risk characteristics of the exposure within the portfolio change, the reasonableness of the groupings is reviewed in a timely manner and, if necessary, regrouped according to the common risk characteristics of the relevant credit risk exposures.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(a) Credit risk (continued)

(i) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets, including derivative financial instruments. The maximum exposure to credit risk in respect of the off-balance sheet of financial position items as at the end of the reporting period is disclosed in Note V 53(a).

	31 December 2023				
	Stage 1	Stage 2	Stage 3	N/A	Total
Assets					
Deposits with the central bank	344,823	–	–	–	344,823
Deposits with banks and other financial institutions	39,942	–	–	–	39,942
Placements with banks and other financial institutions	142,138	–	104	–	142,242
Financial assets held under resale agreements	67,500	–	–	–	67,500
Loans and advances to customers	3,578,207	116,559	18,159	–	3,712,925
Finance lease receivables	92,478	6,164	516	–	99,158
Financial investments	1,792,844	3,028	11,562	118,763	1,926,197
Others (Note)	11,625	8,332	–	13,324	33,281
Total	6,069,557	134,083	30,341	132,087	6,366,068

	31 December 2022				
	Stage 1	Stage 2	Stage 3	N/A	Total
Assets					
Deposits with the central bank	352,404	–	–	–	352,404
Deposits with banks and other financial institutions	32,073	–	–	–	32,073
Placements with banks and other financial institutions	129,845	–	134	–	129,979
Financial assets held under resale agreements	28	–	–	–	28
Loans and advances to customers	3,389,741	90,710	18,900	–	3,499,351
Finance lease receivables	104,043	3,505	464	–	108,012
Financial investments	1,618,886	5,192	17,791	129,863	1,771,732
Others (Note)	21,338	6,539	–	15,730	43,607
Total	5,648,358	105,946	37,289	145,593	5,937,186

Note: Others comprise derivative financial assets and assets from wealth management business, deposit margin, interests receivable and other receivables recorded in other assets.

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(a) Credit risk (continued)

(ii) Credit rating

The distribution according to the credit quality of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

	31 December 2023	31 December 2022
Impaired		
Carrying amount	300	300
Provision for impairment losses	(196)	(166)
Subtotal	104	134
Neither overdue nor impaired		
– grade A to AAA	244,359	158,470
– grade B to BBB	285	900
– unrated (Note)	4,936	2,576
Subtotal	249,580	161,946
Total	249,684	162,080

Note: Mainly represent deposits with banks and other financial institutions.

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to Bloomberg Composite, or the major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analysed by the rating agency designations as at the end of the reporting period are as follows:

	31 December 2023	31 December 2022
Impaired		
Carrying amount	26,018	27,292
Provision for impairment losses	(14,456)	(9,501)
Subtotal	11,562	17,791
Neither overdue nor impaired		
Bloomberg Composite		
– grade AAA	2,286	5,217
– grade AA- to AA+	11,146	9,355
– grade A- to A+	31,186	33,794
– grade lower than A-	35,923	26,151
Subtotal	80,541	74,517
Other agency ratings		
– grade AAA	1,532,931	1,384,698
– grade AA- to AA+	226,978	208,649
– grade A- to A+	14,588	15,561
– grade lower than A-	8,559	6,924
– unrated	51,038	63,592
Subtotal	1,834,094	1,679,424
Total	1,926,197	1,771,732

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured, monitored and controlled all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorised by the board of directors, which include review and approval of market risk management strategies, policies and procedures as well as the market risk tolerance level recommended by senior management. The Group is primarily exposed to market risk in its treasury business. The Financial Market Department, Investment Banking Department and overseas institution are responsible for the Group's investments and proprietary trading business. The Assets and Liability Management Department is responsible for monitoring and managing the interest rate risk and foreign exchange risk on a daily basis under the banking book. The Risk Management Department is responsible for formulating the market risk management policies and procedures, identifying, measuring and monitoring the Group's market risk, and the daily monitoring and management of interest rate risk and exchange rate risk in the Bank's trading book.

The Group classified the transactions as the banking book transactions and trading book transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these books. The trading book transactions consist of the Group's investments which are acquired or incurred primarily for the purpose of selling in the near term, or for the purpose of short-term profit taking. The banking book transactions represent non-trading businesses. Sensitivity analysis, scenario analysis and foreign currency gap analysis are the main tools employed by the Group to measure and monitor the market risk in its trading book transactions. Sensitivity gap analysis, effective duration analysis and scenario simulation analysis are the main tools used by the Group to measure and monitor the market risk of its non-trading businesses.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration the probabilities of various scenarios.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(b) Market risk (continued)

Scenario simulation analysis is an important technique for assessing interest rate risk. It simulates and calculates the changes in net interest income (NII) and economic value (EVE) indicators in the following year through multiple conventional scenarios and stress scenarios, including interest rate standard shocks, yield curve shifts and shape changes, historical extreme interest rate changes, customers' execution of embedded options for deposits and loans, etc. The Bank regularly re-examines important customer behavior models such as loan prepayment and deposits from early withdrawals used in scenario simulation analysis.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

Interest rate risk

The Group is primarily exposed to interest rate risk arising from gap risk and basis risk. The Assets and Liability Management Department and Risk Management Department are responsible for identifying, measuring and monitoring. In terms of measuring and monitoring risks, the Group regularly evaluates the interest rate sensitivity repricing gap of each period and the impact of interest rate changes on the Group's net interest income and economic value. The main purpose of interest rate risk management is to reduce the potential negative impact of interest rate changes on net interest income and economic value.

Gap risk

Gap risk refers to the risk caused by different repricing periods of different financial instruments when interest rates change. Changes in interest rates include both a parallel upward or downward shift of the yield curve and a change in the shape of the yield curve. Due to the different repricing periods of financial instruments, when the interest rate rises when the interest rate on liabilities is repriced earlier than the interest rate on assets, or when the interest rate falls when the interest rate on assets is repriced earlier than the interest rate on liabilities, the Bank faces a reduction in interest rate spreads or even negative interest rate differentials for a certain period of time, resulting in losses.

Basis risk

Basis risk, is caused by interest rates on different pricing basis on the on-and off- balance sheet business of bank books. The risk could be different because the basis risk changes no matter the term is the same or similar.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

(i) The following tables indicate the effective interest rates for the respective periods, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the year:

	31 December 2023						
	Effective interest rate (*)	Total	Non-Interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets							
Cash and deposits with the central bank	1.50%	349,184	12,868	336,316	–	–	–
Deposits with banks and other financial institutions	0.65%	39,942	64	36,916	614	2,348	–
Placements with banks and other financial institutions	3.32%	142,242	475	53,598	88,169	–	–
Financial assets held under resale agreements	1.85%	67,500	51	67,449	–	–	–
Loans and advances to customers	4.75%	3,712,925	11,342	2,781,823	840,342	76,552	2,866
Finance lease receivables	5.12%	99,158	837	19,567	54,075	19,795	4,884
Financial investments	3.32%	2,241,462	342,584	95,378	203,955	1,230,409	369,136
Others	N/A	120,383	117,232	1,213	–	–	1,938
Total assets	N/A	6,772,796	485,453	3,392,260	1,187,155	1,329,104	378,824

	31 December 2023						
	Effective interest rate (*)	Total	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Liabilities							
Due to the central bank	2.63%	99,633	1,081	35,115	63,437	–	–
Deposits from banks and other financial institutions	2.12%	552,326	1,256	458,150	92,920	–	–
Placements from banks and other financial institutions	3.85%	194,205	911	137,193	56,101	–	–
Financial assets sold under repurchase agreements	1.91%	73,115	187	63,150	9,294	484	–
Deposits from customers	2.32%	4,094,528	71,197	2,133,378	832,260	1,057,655	38
Debt securities issued	2.59%	1,099,326	4,366	182,999	654,566	247,396	9,999
Others	N/A	104,878	69,593	21,841	4,380	7,501	1,563
Total liabilities	N/A	6,218,011	148,591	3,031,826	1,712,958	1,313,036	11,600
Asset-liability gap	N/A	554,785	336,862	360,434	(525,803)	16,068	367,224

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

(i) *The following tables indicate the effective interest rates for the respective periods, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the year:* (continued)

	31 December 2022						
	Effective interest rate (*)	Total	Non-Interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets							
Cash and deposits with the central bank	1.45%	356,426	14,922	341,504	–	–	–
Deposits with banks and other financial institutions	0.19%	32,073	19	32,054	–	–	–
Placements with banks and other financial institutions	2.56%	129,979	513	47,992	70,779	10,695	–
Financial assets held under resale agreements	1.62%	28	–	28	–	–	–
Loans and advances to customers	4.98%	3,499,351	10,255	2,647,346	757,395	82,753	1,602
Finance lease receivables	5.56%	108,012	1,122	20,983	60,173	19,863	5,871
Financial investments	3.48%	2,046,612	299,498	115,021	243,919	970,807	417,367
Others	N/A	128,029	124,407	1,420	–	–	2,202
Total assets	N/A	6,300,510	450,736	3,206,348	1,132,266	1,084,118	427,042

	31 December 2022						
	Effective interest rate (*)	Total	Non-Interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Liabilities							
Due to the central bank	2.93%	63,386	272	68	63,046	–	–
Deposits from banks and other financial institutions	2.06%	540,668	927	463,639	76,102	–	–
Placements from banks and other financial institutions	2.28%	188,601	892	106,837	80,872	–	–
Financial assets sold under repurchase agreements	1.63%	92,980	120	89,764	1,548	1,548	–
Deposits from customers	2.30%	3,917,168	76,352	2,161,300	811,022	868,413	81
Debt securities issued	2.62%	875,971	3,354	261,866	422,153	183,598	5,000
Others	N/A	111,723	80,815	29,523	–	1,358	27
Total liabilities	N/A	5,790,497	162,732	3,112,997	1,454,743	1,054,917	5,108
Asset-liability gap	N/A	510,013	288,004	93,351	(322,477)	29,201	421,934

* *The effective interest rate represents the ratio of interest income/expense to the average interest-bearing assets/liabilities.*

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. As at 31 December 2023, assuming other variables remain unchanged, an increase in the estimated interest rate of one hundred basis points will cause the Group's net profit to decrease by RMB2,241 million (31 December 2022: decrease by RMB2,736 million), and equity to decrease by RMB14,041 million (31 December 2022: decrease by RMB12,553 million); a decrease in the estimated interest rate of one hundred basis points will cause the Group's net profit to increase by RMB2,404 million (31 December 2022: increase by RMB2,908 million), and equity to increase by RMB14,844 million (31 December 2022: increase by RMB13,337 million).

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by the repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of the reporting period apply to all derivative and non-derivative financial instruments of the Group;
- An interest rate movement of one hundred basis points is based on the assumption of interest rate movement over the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the portfolio of asset and liability;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

Foreign currency risk

The Group's foreign currency risk mainly arises from the foreign currency portfolio within the treasury's proprietary investments, and other foreign currency exposures. The Group manages foreign currency risk by spot and forward foreign exchange transactions, swap transactions and matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(b) Market risk (continued)

Foreign currency risk (continued)

The Group's currency exposures as at the end of the year are as follows:

	31 December 2023			
	RMB	US Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with the central bank	336,903	4,039	8,242	349,184
Deposits with banks and other financial institutions	24,287	12,334	3,321	39,942
Placements with banks and other financial institutions	123,706	13,713	4,823	142,242
Financial assets held under resale agreements	67,500	–	–	67,500
Loans and advances to customers	3,562,808	76,324	73,793	3,712,925
Financial lease receivables	95,658	3,500	–	99,158
Financial investments	2,104,119	94,282	43,061	2,241,462
Others	99,085	19,163	2,135	120,383
Total assets	6,414,066	223,355	135,375	6,772,796
Liabilities				
Due to the central bank	99,633	–	–	99,633
Deposits from banks and other financial institutions	550,469	1,194	663	552,326
Placements from banks and other financial institutions	93,855	72,675	27,675	194,205
Financial assets sold under repurchase agreements	50,493	12,638	9,984	73,115
Deposits from customers	3,946,331	110,553	37,644	4,094,528
Debt securities issued	1,044,469	40,643	14,214	1,099,326
Others	91,055	10,589	3,234	104,878
Total liabilities	5,876,305	248,292	93,414	6,218,011
Net position	537,761	(24,937)	41,961	554,785
Off-balance sheet credit commitments	1,294,400	29,802	13,979	1,338,181
Derivative financial instruments (Note)	16,923	25,298	4,458	46,679

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(b) Market risk (continued)

Foreign currency risk (continued)

The Group's currency exposures as at the end of the year are as follows: (continued)

	31 December 2022			
	RMB	US Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with the central bank	344,797	7,628	4,001	356,426
Deposits with banks and other financial institutions	14,275	10,286	7,512	32,073
Placements with banks and other financial institutions	99,693	25,085	5,201	129,979
Financial assets held under resale agreements	–	–	28	28
Loans and advances to customers	3,354,625	74,791	69,935	3,499,351
Financial lease receivables	104,687	3,325	–	108,012
Financial investments	1,906,805	105,825	33,982	2,046,612
Others	110,819	15,285	1,925	128,029
Total assets	5,935,701	242,225	122,584	6,300,510
Liabilities				
Due to the central bank	63,386	–	–	63,386
Deposits from banks and other financial institutions	534,696	3,924	2,048	540,668
Placements from banks and other financial institutions	97,935	58,477	32,189	188,601
Financial assets sold under repurchase agreements	74,725	8,343	9,912	92,980
Deposits from customers	3,731,263	153,797	32,108	3,917,168
Debt securities issued	816,898	51,913	7,160	875,971
Others	99,343	9,900	2,480	111,723
Total liabilities	5,418,246	286,354	85,897	5,790,497
Net position	517,455	(44,129)	36,687	510,013
Off-balance sheet credit commitments	1,331,943	34,169	13,312	1,379,424
Derivative financial instruments (Note)	(927)	43,772	(8,031)	34,814

Note: Derivative financial instruments reflect the net notional amounts of derivatives.

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(b) Market risk (continued)

Foreign currency risk (continued)

The Group conducts a substantial portion of its business in RMB, with certain transactions denominated in USD, HKD and, to a much lesser extent, other currencies. As at the end of the year, the exchange rate changes of the currencies to which the Group had significant exposure are as follows:

	31 December 2023	31 December 2022
Exchange rates against RMB for the HKD	0.9079	0.8914
Exchange rates against RMB for the USD	7.0919	6.9509

The Group uses sensitivity analysis to measure the potential effect of changes in the Group's exchange rates on the Group's net profit or loss and equity. As at 31 December 2023, assuming other variables remain unchanged, an appreciation of one hundred basis points in the US dollar against the RMB would increase both the Group's net profit and equity by RMB49 million (31 December 2022: increase by RMB31 million); a depreciation of one hundred basis points in the US dollar against the RMB would decrease both the Group's net profit and equity by RMB49 million (31 December 2022: decrease by RMB31 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions:

– The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points' fluctuation in the foreign currency exchange rates (central parity) against RMB;

– At the end of the reporting year, the fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rate movement over the next 12 months;

– Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars and HK dollars, other foreign currencies are converted into US dollars in the above sensitivity analysis;

– The foreign exchange exposures calculated include spot and forward foreign exchange exposures and swaps;

– Other variables (including interest rates) remain unchanged; and

– The analysis does not take into account the effect of risk management measures taken by management.

Due to the assumptions adopted, actual changes in the Group's net profit or loss and equity resulting from the increase or decrease in foreign exchange rates might vary from the estimated results of this sensitivity analysis.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(b) Market risk (continued)

Price risk

Price risk mainly comes from equity investments held by the Group and the trading precious metal investments. The Group's risk of commodity or shares price from investment is not significant.

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. In accordance with liquidity policies, the Group monitors the future cash flows and maintains liquid assets of high quality.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC, chaired by the President of the Bank, is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

– Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting of liquidity requirements on a timely basis and the payments to various businesses, whether under a normal operating environment or a state of stress; and

– Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; achieving the integration of the security, liquidity, and effectiveness of the Bank's funds.

The Asset and Liability Management Department is responsible for executing liquidity risk management policies. It is also responsible for identifying, measuring, monitoring and managing medium and long-term working capital on a regular basis, and for formulating liquidity management strategies. The Asset and Liability Management Department is responsible for monitoring working capital on a daily basis and ensuring the liquidity. Significant disbursement or portfolio changes must be reported to the ALMC on a timely basis.

The Group mainly applies liquidity gap analysis to measure liquidity risk. The Group will continue to focus on limit monitoring and dynamic control, and apply different scenario stress tests to assess the impacts from liquidity risks and develop effective contingency plans to respond to various possible liquidity risks.

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the year:

	31 December 2023							
	Overdue/ indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	280,256	68,928	–	–	–	–	–	349,184
Deposits with banks and other financial institutions	–	36,037	319	450	614	2,348	174	39,942
Placements with banks and other financial institutions	104	–	33,883	19,965	88,290	–	–	142,242
Financial asset held under resale agreements	–	–	67,500	–	–	–	–	67,500
Loans and advances to customers	39,762	396,811	154,641	248,115	1,060,240	944,464	868,892	3,712,925
Finance lease receivables	162	128	3,263	6,171	25,185	56,191	8,058	99,158
Financial investments	18,447	306,948	43,247	56,486	203,673	1,241,735	370,926	2,241,462
Others	86,094	19,027	1,529	3,211	4,422	3,957	2,143	120,383
Total assets	424,825	827,879	304,382	334,398	1,382,424	2,248,695	1,250,193	6,772,796

	31 December 2023							
	Overdue/ indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Liabilities								
Due to the central bank	–	–	–	35,905	63,728	–	–	99,633
Deposits from banks and other financial institutions	–	333,243	45,042	80,762	93,279	–	–	552,326
Placements from banks and other financial institutions	–	8	97,753	40,064	56,380	–	–	194,205
Financial assets sold under repurchase agreements	–	–	62,702	568	9,361	484	–	73,115
Deposits from customers	–	1,470,859	337,149	361,246	803,504	1,121,731	39	4,094,528
Debt securities issued	–	–	12,038	159,232	659,110	258,947	9,999	1,099,326
Others	–	49,141	2,366	4,979	21,631	22,697	4,064	104,878
Total liabilities	–	1,853,251	557,050	682,756	1,706,993	1,403,859	14,102	6,218,011
Net position	424,825	(1,025,372)	(252,668)	(348,358)	(324,569)	844,836	1,236,091	554,785
Notional amount of derivative financial instruments	–	–	214,180	219,449	817,324	592,781	5,725	1,849,459

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the year: (continued)

	31 December 2022							
	Overdue/ indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	285,122	71,304	–	–	–	–	–	356,426
Deposits with banks and other financial institutions	–	29,321	269	2,231	80	–	172	32,073
Placements with banks and other financial institutions	134	–	37,301	10,778	70,999	10,767	–	129,979
Financial asset held under resale agreements	–	–	28	–	–	–	–	28
Loans and advances to customers	50,072	435,712	165,707	218,479	935,429	834,213	859,739	3,499,351
Finance lease receivables	33	46	4,371	5,486	23,607	67,841	6,628	108,012
Financial investments	25,405	216,233	35,753	53,166	268,783	1,013,567	433,705	2,046,612
Others	81,666	28,432	2,098	4,564	5,309	3,492	2,468	128,029
Total assets	442,432	781,048	245,527	294,704	1,304,207	1,929,880	1,302,712	6,300,510

	31 December 2022							
	Overdue/ indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Liabilities								
Due to the central bank	–	–	25	71	63,290	–	–	63,386
Deposits from banks and other financial institutions	–	274,073	57,135	133,346	76,114	–	–	540,668
Placements from banks and other financial institutions	–	6	64,023	43,183	81,389	–	–	188,601
Financial assets sold under repurchase agreements	–	–	82,059	7,820	1,550	1,551	–	92,980
Deposits from customers	–	1,382,165	318,146	364,756	830,288	1,021,718	95	3,917,168
Debt securities issued	–	–	13,069	243,628	426,169	188,105	5,000	875,971
Others	–	59,873	3,013	5,312	8,015	30,022	5,488	111,723
Total liabilities	–	1,716,117	537,470	798,116	1,486,815	1,241,396	10,583	5,790,497
Net position	442,432	(935,069)	(291,943)	(503,412)	(182,608)	688,484	1,292,129	510,013
Notional amount of derivative financial instruments	–	–	235,347	218,141	574,524	699,711	2,035	1,729,758

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of the contractual undiscounted cash flows of the financial liabilities at the end of the year:

	31 December 2023							
	Carrying amount	Contractual undiscounted cash flows	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Due to the central bank	99,633	101,085	–	–	36,043	65,042	–	–
Deposits from banks and other financial institutions	552,326	553,439	333,338	45,073	81,039	93,989	–	–
Placements from banks and other financial institutions	194,205	195,946	8	97,976	40,394	57,568	–	–
Financial assets sold under repurchase agreements	73,115	73,427	–	62,735	572	9,587	533	–
Deposits from customers	4,094,528	4,170,249	1,470,859	342,224	368,489	829,163	1,159,474	40
Debt securities issued	1,099,326	1,135,956	–	12,185	162,688	674,799	274,704	11,580
Other financial liabilities	61,496	66,078	19,705	358	1,856	17,638	20,740	5,781
Total non-derivative financial liabilities	6,174,629	6,296,180	1,823,910	560,551	691,081	1,747,786	1,455,451	17,401
Derivative financial liabilities								
Derivative financial instruments settled on net basis		194	–	(1)	–	74	3	118
Derivative financial instruments settled on gross basis								
– Cash inflow		935,633	–	202,641	161,113	559,855	12,024	–
– Cash outflow		(766,976)	–	(94,206)	(117,104)	(543,869)	(11,797)	–
Total derivative financial liabilities		168,657	–	108,435	44,009	15,986	227	–

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of the contractual undiscounted cash flows of financial liabilities at the end of the year: (continued)

	31 December 2022							
	Carrying amount	Contractual undiscounted cash flows	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Due to the central bank	63,386	64,799	–	25	72	64,702	–	–
Deposits from banks and other financial institutions	540,668	543,019	274,209	57,357	134,598	76,855	–	–
Placements from banks and other financial institutions	188,601	190,663	6	64,091	43,520	83,046	–	–
Financial assets sold under repurchase agreements	92,980	93,084	–	82,102	7,863	1,566	1,553	–
Deposits from customers	3,917,168	3,978,082	1,382,165	324,008	376,136	862,226	1,033,433	114
Debt securities issued	875,971	904,053	–	13,211	251,786	433,688	199,530	5,838
Other financial liabilities	65,432	70,298	28,111	354	2,711	2,872	28,620	7,630
Total non-derivative financial liabilities	5,744,206	5,843,998	1,684,491	541,148	816,686	1,524,955	1,263,136	13,582
Derivative financial liabilities								
Derivative financial instruments settled on net basis		748	–	13	(2)	378	97	262
Derivative financial instruments settled on gross basis								
– Cash inflow		681,857	–	213,796	162,785	300,364	4,912	–
– Cash outflow		(489,327)	–	(106,413)	(128,164)	(249,837)	(4,913)	–
Total derivative financial liabilities		192,530	–	107,383	34,621	50,527	(1)	–

This analysis of the financial instruments by contractual undiscounted cash flows might diverge from actual results.

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of off-balance sheet assets of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the year:

	31 December 2023			
	Within one year	Between one year and five years	More than five years	Total
Loan and credit card commitments	376,524	525	2,261	379,310
Guarantees, acceptances and other credit commitments	914,859	42,911	1,101	958,871
Total	1,291,383	43,436	3,362	1,338,181

	31 December 2022			
	Within one year	Between one year and five years	More than five years	Total
Loan and credit card commitments	365,068	540	1,520	367,128
Guarantees, acceptances and other credit commitments	964,754	46,456	1,086	1,012,296
Total	1,329,822	46,996	2,606	1,379,424

(d) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impacts from other external events.

The Group establishes a framework of an operational risk management system to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, trading, corporate finance, settlement, intermediary business, asset management and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as follows:

– A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;

– A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;

– A set of standard operational procedures covering all products and services, which is practical, traceable and can be re-performed, investigated and remedied;

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Risk management (continued)

(d) Operational risk (continued)

– A series of operational risk management tools, including Risk Control Self-Assessment (RCSA), Key Risk Index (KRI), Loss Event Collection and IT system monitoring;

– An operational risk management culture, the core values of the culture is that effective risk management could create value. It is supported with a team of operational risk management professionals across all branches, businesses and functions;

– An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and

– An independent risk assessment framework based on the internal audit and the compliance review.

51 Fair value

(a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period. The fair values of unlisted equity investments are estimated using comparable firm approach, after adjustment for the specific circumstances of the issuers.

(ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present values of the future cash flows, discounted at the market interest rates at the end of the year.

(iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices at the end of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the year.

(iv) Derivative financial instruments

The fair values of foreign currency forward and swap contracts are determined by the difference between the present values of the forward prices and the contractual prices at the end of the reporting period, or are based on quoted market prices. The fair values of interest rate swaps are estimated as the present value of estimated future cash flows. The yield curve is based on the optimised price between the broker's quoted price and Thomson Reuters' quoted price.

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Fair value (continued)

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, derivative financial assets, financial assets held under resale agreements, loans and advances to customers, finance lease receivables and financial investments.

Financial assets at fair value through profit or loss, debt instruments at fair value through other comprehensive income, equity instruments at fair value through other comprehensive income and derivative financial assets presented at fair value.

(ii) Financial liabilities

Financial liabilities at fair value through profit or loss and derivative financial liabilities presented at fair value.

The tables below summarise the carrying amounts and fair values of "debt securities and asset-backed instruments measured at amortised cost", and "debt securities issued" not presented at fair value at the end of year:

	Carrying value		Fair value	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Financial assets				
Debt securities and asset-backed instruments measured at amortised cost	1,214,074	1,118,734	1,241,475	1,135,161
Financial liabilities				
Debt securities issued	1,099,326	875,971	1,088,390	859,788

Debt securities and asset-backed instruments measured at amortised cost are based on market prices or broker/dealer price quotations. Where this information is not available, the Bank will perform valuation by referring to prices from valuation service providers or on the basis of discounted cash flows models. Valuation parameters include market interest rates, expected future default rates, prepayment rates and market liquidity. The fair values of RMB bonds are mainly determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd..

The fair values of debt securities issued are measured using a discounted cash flow model based on the current yield curve that matches the remaining maturity date.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Fair value (continued)

(c) Fair value hierarchy

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The definitions of three levels are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e., prices) or indirectly. Instruments in this level include bonds and a majority of OTC derivative contracts.

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). Instruments in this level include complicated unlisted equity with one or more than one significant unobservable component.

This hierarchy requires the use of observable open market data wherever possible. The Group tries its best to consider relevant and observable market prices in valuations.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is with reference to another instrument that is substantially the same.

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Fair value (continued)

(c) Fair value hierarchy (continued)

Assets and liabilities measured at fair value

The table below summaries the carrying values in three levels of assets and liabilities measured at fair value at the end of the year:

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial assets				
– Currency derivatives	–	8,468	–	8,468
– Interest rate derivatives	–	4,856	–	4,856
Loan and advances to customers	–	204,980	–	204,980
Financial assets at fair value through profit or loss				
– Debt instruments held for trading	–	106,290	118	106,408
– Other financial assets at fair value through profit or loss	237,057	79,327	10,104	326,488
Debt instruments at fair value through other comprehensive income	–	561,027	20	561,047
Equity instruments at fair value through other comprehensive income	30	–	1,102	1,132
Total	237,087	964,948	11,344	1,213,379
Liabilities				
Derivative financial liabilities				
– Currency derivatives	–	9,231	–	9,231
– Interest rate derivatives	2	4,713	–	4,715
Total	2	13,944	–	13,946

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Fair value (continued)

(c) Fair value hierarchy (continued)

Assets and liabilities measured at fair value (continued)

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial assets				
– Currency derivatives	–	10,961	–	10,961
– Interest rate derivatives	1	4,768	–	4,769
Loan and advances to customers	–	214,253	–	214,253
Financial assets at fair value through profit or loss				
– Debt instruments held for trading	1,287	108,098	255	109,640
– Other financial assets at fair value through profit or loss	217,137	69,144	7,696	293,977
Debt instruments at fair value through other comprehensive income	56,292	393,240	64	449,596
Equity instruments at fair value through other comprehensive income	24	–	1,102	1,126
Total	274,741	800,464	9,117	1,084,322
Liabilities				
Financial liabilities at fair value through profit or loss	27	–	–	27
Derivative financial liabilities				
– Currency derivatives	–	9,743	–	9,743
– Interest rate derivatives	–	4,518	–	4,518
Total	27	14,261	–	14,288

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Fair value (continued)

(c) Fair value hierarchy (continued)

Assets and liabilities measured at fair value (continued)

The movements during the year ended 31 December 2023 in the balance of Level 3 fair value measurements are as follows:

	Derivative financial assets	Financial assets at fair value through profit or loss	Equity instruments at fair value through other comprehensive income	Debt instruments at fair value through other comprehensive income	Total assets	Derivative financial liabilities	Total liabilities
1 January 2023	–	7,951	1,102	64	9,117	–	–
Transferred to level 3	–	12	–	20	32	–	–
Total gain or loss:							
– Recognised in the profit or loss	–	1,586	–	–	1,586	–	–
Purchases	–	1,045	–	–	1,045	–	–
Settlements	–	(372)	–	(64)	(436)	–	–
31 December 2023	–	10,222	1,102	20	11,344	–	–
Impact on net income	–	1,586	–	–	1,586	–	–

The movements during the year ended 31 December 2022 in the balance of Level 3 fair value measurements are as follows:

	Derivative financial assets	Financial assets at fair value through profit or loss	Equity instruments at fair value through other comprehensive income	Debt instruments at fair value through other comprehensive income	Total assets	Derivative financial liabilities	Total liabilities
1 January 2022	1	10,318	1,102	67	11,488	–	–
Total gain or loss:							
– Recognised in the profit or loss	(1)	(1,237)	–	(3)	(1,241)	–	–
Purchases	–	2,964	–	–	2,964	–	–
Settlements	–	(4,094)	–	–	(4,094)	–	–
31 December 2022	–	7,951	1,102	64	9,117	–	–
Impact on net income	(1)	(1,237)	–	(3)	(1,241)	–	–

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Fair value (continued)

(c) Fair value hierarchy (continued)

Financial assets and liabilities not measured at fair value

The tables below summarise the three levels' fair values of "debt securities and asset-backed instruments measured at amortised cost" and "debt securities issued" not presented at fair value on the statement of financial position:

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities and asset-backed instruments measured at amortised cost	–	1,241,463	12	1,241,475
Financial liabilities				
Debt securities issued	–	1,088,390	–	1,088,390

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities and asset-backed instruments measured at amortised cost	217,623	917,538	–	1,135,161
Financial liabilities				
Debt securities issued	21,583	838,205	–	859,788

(d) Valuation of financial instruments with significant unobservable inputs

Financial instruments valued with significant unobservable inputs are primarily unlisted equity and derivative contracts. These financial instruments are valued using cash flow discount model and market method. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

As at 31 December 2023, the carrying amounts of financial instruments valued with significant unobservable inputs were immaterial.

52 Entrusted lending business

The Group provides entrusted lending business services to government agencies, corporations and individuals. All entrusted loans are funded by entrusted funds from these entities and individuals. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustors and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statement of financial position.

	31 December 2023	31 December 2022
Entrusted loans	89,823	92,724
Entrusted funds	89,823	92,724

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53 Commitments and contingent liabilities

(a) Credit commitments

The Group's credit commitments take the form of approved loans with signed contracts, credit card commitments, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	31 December 2023	31 December 2022
Loan commitments		
– Original contractual maturity within one year	23,826	16,007
– Original contractual maturity more than one year (inclusive)	7,908	6,009
Credit card commitments	347,576	345,112
Subtotal	379,310	367,128
Acceptances	669,058	724,330
Letters of guarantee	128,239	116,297
Letters of credit	161,394	171,484
Guarantees	180	185
Total	1,338,181	1,379,424

The Group may be exposed to credit risk in all the credit businesses above. Group management periodically assesses the estimated credit risk and makes provision for any expected credit losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

(b) Credit risk-weighted amount of credit commitments

	31 December 2023	31 December 2022
Credit risk-weighted amount of credit commitments	402,069	418,205

The credit risk-weighted amount of credit commitments represents the amount calculated with reference to the Regulation Governing Capital of Commercial Banks (Provisional). The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights ranged from 0% to 100% for credit commitments.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53 Commitments and contingent liabilities (continued)

(c) Capital commitments

As at the end of the year, the Group's authorised capital commitments are as follows:

	31 December 2023	31 December 2022
Contracted but not paid		
– Purchase of property and equipment	2,330	3,939
Approved but not contracted for		
– Purchase of property and equipment	6,286	5,708
Total	8,616	9,647

(d) Underwriting and redemption commitments

The Group has no unexpired commitments for underwriting bonds as at 31 December 2023.

As an underwriting agent of the PRC government bonds, the Group has the responsibility for buying back those bonds it previously sold should the holders decide to make an early redemption of the bonds held. The redemption price for a bond at any time before its maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payable to the bond holders is calculated in accordance with the relevant MOF and PBOC rules. The redemption price may be different from the fair value of similar financial instruments traded at the redemption date.

As at the end of the year, the underwritten, sold and immature national bonds' redemption commitments at nominal value are as follows:

	31 December 2023	31 December 2022
Redemption commitments	4,022	4,320

(e) Outstanding litigations and disputes

As at 31 December 2023, the Group was the defendant or third party in certain pending litigations and disputes with a gross claim of RMB665 million (31 December 2022: RMB1,688 million). Provisions have been made for the estimated losses from such litigations based upon the opinions of the Group's internal and external legal counsels (Note V 36). The Group considers that the provisions made are reasonable and adequate.

54 Subsequent Events

The Group has no significant subsequent event.

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purposes only.

1 LIQUIDITY COVERAGE RATIO, LIQUIDITY RATIO, LEVERAGE RATIO AND NET STABLE FUNDING RATIO

Liquidity Coverage Ratio

As stipulated by the Rules on *Liquidity Risk Management of Commercial Banks*, commercial banks' liquidity coverage ratio ("LCR") should reach 100% by the end of 2018. During the transition period, the LCR should be no lower than 90%. During the transition period, eligible commercial banks are encouraged to fulfil the requirements in advance, and banks with LCR already reaching 100% are encouraged to continuously maintain it at 100% or above.

	31 December 2023
Liquidity coverage ratio	149.17%
High Quality Liquid Assets	1,068,057
Net cash outflows in 30 days from the end of the reporting period	716,013

Liquidity Ratio*

	As at 31 December 2023	Average for the year ended 31 December 2023	As at 31 December 2022	Average for the year ended 31 December 2022
RMB current assets to RMB current liabilities	76.71%	67.23%	74.44%	70.72%
Foreign current assets to foreign current liabilities	77.51%	91.29%	123.89%	136.46%

* *Liquidity ratio is calculated in accordance with the banking level.*

1 LIQUIDITY COVERAGE RATIO, LIQUIDITY RATIO, LEVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

Leverage Ratio

	31 December 2023
Leverage Ratio	7.10%

Pursuant to the Leverage Ratio Management of Commercial Banks which has been effective since 1 April 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with PRC GAAP.

Net Stable Funding Ratio

The net stable fund ratio is designed to ensure that commercial banks have sufficient sources of stable funding to meet the demand for stable funds for various assets and off-balance sheet exposures. The Measures for the Administration of Liquidity Risk of Commercial Banks stipulate that since 1 July 2018, the minimum regulatory standard for the net stable fund ratio is no less than 100%.

The calculation formula of net stable funding ratio is as follows:

Net stable funding ratio = available and stable funds/required stable funds*100%

As at 31 December 2023, the Group met the supervision requirement with the net stable funding ratio standing at 109.48%.

Indicators	31 December 2023
Available and stable funds	3,914,733
Required stable funds	3,575,681
Net stable funding ratio	109.48%

(Expressed in millions of Renminbi, unless otherwise stated)

2 CURRENCY CONCENTRATIONS

	31 December 2023			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	223,355	54,577	80,798	358,730
Spot liabilities	(248,292)	(45,595)	(47,819)	(341,706)
Forward purchases	468,139	3,717	16,446	488,302
Forward sales	(442,841)	(4,862)	(10,843)	(458,546)
Net long position	361	7,837	38,582	46,780
Net structural position	–	344	197	541

	31 December 2022			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	242,225	51,952	70,632	364,809
Spot liabilities	(286,354)	(35,120)	(50,777)	(372,251)
Forward purchases	351,772	2,015	26,327	380,114
Forward sales	(308,000)	(12,136)	(24,237)	(344,373)
Net (short)/long position	(357)	6,711	21,945	28,299
Net structural position	–	201	107	308

The net structural position of the Group includes the structural positions, denominated in foreign currency, of the Bank's Hong Kong, Seoul, Luxembourg, Sydney and Macao branches. Structural assets mainly include property and equipment.

3 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Chinese Mainland, and regards all claims on third parties overseas and claims in foreign currencies on third parties within the Chinese Mainland as international claims.

International claims include loans and advances to customers, deposits with central banks, deposits and placements with banks and other financial institutions and debt investments.

3 INTERNATIONAL CLAIMS (CONTINUED)

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	As at 31 December 2023			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Chinese Mainland	67,706	15,894	91,764	175,364
– of which: attributed to Hong Kong	18,338	11,461	59,948	89,747
Europe	25,640	396	29,354	55,390
North and South America	13,005	1,751	20,187	34,943
Total	106,351	18,041	141,305	265,697

	As at 31 December 2022			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Chinese Mainland	124,453	9,522	85,160	219,135
– of which: attributed to Hong Kong	24,794	4,769	54,965	84,528
Europe	25,259	257	24,536	50,052
North and South America	11,882	25,684	16,069	53,635
Total	161,594	35,463	125,765	322,822

4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES

(a) By geographical segment

	31 December 2023	31 December 2022
Pearl River Delta	7,268	8,542
Yangtze River Delta	5,020	4,589
Central	4,786	4,264
Bohai Rim	4,363	3,953
Overseas	4,114	1,656
Northeastern	3,559	4,034
Western	2,820	3,200
Head Office	9,923	7,483
Total	41,853	37,721

The above analysis includes loans and advances overdue for more than 90 days. Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

(Expressed in millions of Renminbi, unless otherwise stated)

4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES (CONTINUED)

(b) By overdue day

	31 December 2023	31 December 2022
Gross loans and advances which have been overdue with respect to either principal or interest for periods of:		
– between 3 and 6 months (inclusive)	13,899	11,769
– between 6 months and 1 year (inclusive)	12,346	12,454
– over 1 year	15,608	13,498
Total	41,853	37,721
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.36%	0.33%
– between 6 months and 1 year (inclusive)	0.33%	0.35%
– over 1 year	0.41%	0.38%
Total	1.10%	1.06%

The above analysis includes loans and advances overdue for more than 90 days. Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

(c) Collateral of loans and advances past due but not impaired

	31 December 2023	31 December 2022
Covered portion of loans and advances past due but not impaired	6,426	10,392
Uncovered portion of loans and advances past due but not impaired	24,031	19,137
Total loans and advances past due but not impaired	30,457	29,529
Current market value of collateral	16,114	22,226

5 NON-BANK CHINESE MAINLAND EXPOSURE

The Bank is a commercial bank established in the PRC with its banking business conducted in Chinese Mainland. As at 31 December 2023, substantial amounts of the Group's exposures arose from businesses with Chinese Mainland entities or individuals.

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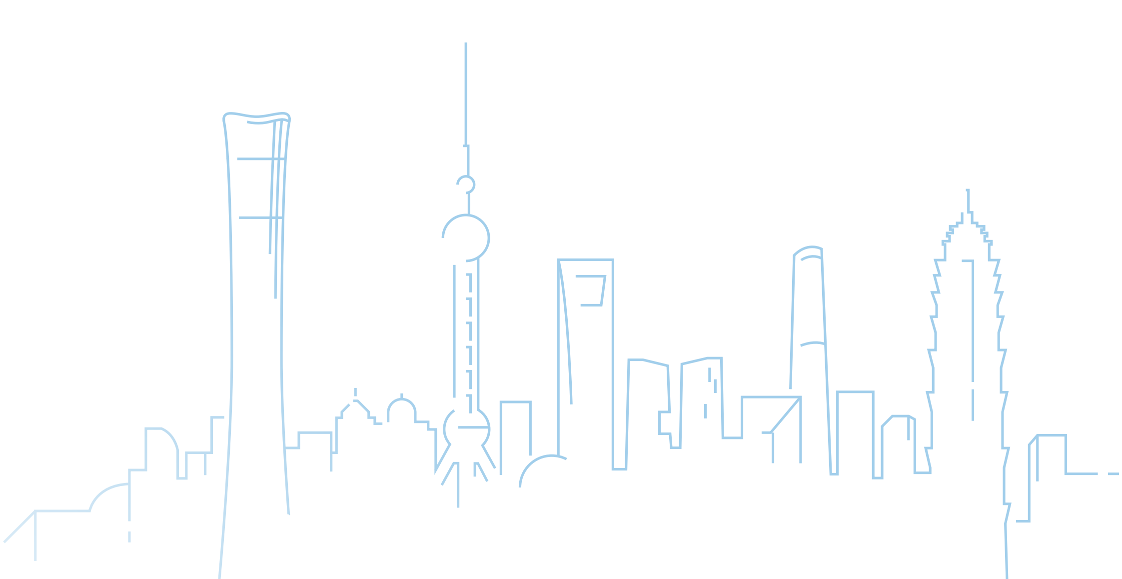

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