交通銀行
BANK OF COMMUNICATIONS

交通銀行股份有限公司
Bank of Communications Co., Ltd.

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

(Stock Code: 03328)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

The Board of Directors (the "**Board of Directors**") of Bank of Communications Co., Ltd. (the "**Bank**") is pleased to announce the audited consolidated financial information (the "**Annual Results**") of the Bank and its subsidiaries (the "**Group**") for the year ended 31 December 2023 (the "**Reporting Period**"), which was prepared in accordance with the *International Financial Reporting Standards* (the "**IFRSs**") issued by the International Accounting Standards Board. The Board of Directors and the Audit Committee of the Board of Directors have reviewed and confirmed the Annual Results.

I. CORPORATE INFORMATION

	Stock name	Stock code	Stock exchange
A Share	Bank of Communications	601328	Shanghai Stock Exchange
H Share	BANKCOMM	03328	The Stock Exchange of Hong Kong Limited
Domestic Preference Share	BOCOM PREF1	360021	Shanghai Stock Exchange

Secretary of the Board and Company Secretary

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II. KEY FINANCIAL DATA AND FINANCIAL INDICATORS

The Group has implemented IFRS 17 – Insurance Contracts and its amendments as of January 1, 2023, which was issued by IASB in May 2017 and June 2020 (the "**new insurance contracts standard**"). The new insurance contracts standard mainly includes the following revisions: 1. adjusting the guidelines for recognising the revenue arising from insurance services; and 2. revising the method of measuring liabilities arising from insurance contracts. These changes in accounting policies did not have any material impact on the Group's financial position and operating results. In accordance with the transition provisions, the Group made retrospective adjustments to and re-presented the financial reports for each period of 2022 in accordance with the new insurance contracts standard, and the relevant data for the year 2022 in this announcement have been re-presented in accordance with the financial reports retrospectively adjusted.

As at the end of the Reporting Period, key financial data and financial indicators prepared by the Group under IFRSs are as follows:

Items	**2023**	2022 (Restated)	2022 *(Before restatement)*	2021	2020	2019
						(in millions of RMB)
Full year results						
Net interest income	**164,123**	169,882	169,937	161,693	153,336	144,083
Net fee and commission income	**43,004**	44,855	44,639	47,573	45,086	43,625
Net operating income	**258,014**	257,346	273,528	269,748	246,724	232,857
Credit impairment losses	**56,908**	60,411	60,411	66,371	62,059	51,954
Operating expenses	**77,369**	76,151	76,825	74,545	66,004	66,560
Profit before tax	**99,698**	98,115	98,215	93,959	86,425	88,200
Net profit (attributable to shareholders of the Bank)	**92,728**	92,102	92,149	87,581	78,274	77,281
As at the end of the year						*(in millions of RMB)*
Total assets	**14,060,472**	12,991,571	12,992,419	11,665,757	10,697,616	9,905,600
Loans and advances to customers[1]	**7,957,085**	7,294,965	7,296,155	6,560,400	5,848,424	5,304,275
Total liabilities	**12,961,022**	11,958,049	11,956,679	10,688,521	9,818,988	9,104,688
Deposits from customers[1]	**8,551,215**	7,949,072	7,949,072	7,039,777	6,607,330	6,072,908
Shareholders' equity (attributable to shareholders of the Bank)	**1,088,030**	1,022,024	1,023,409	964,647	866,607	793,247
Per share						*(in RMB)*
Earnings per share (attributable to the ordinary shareholders of the Bank)[2]	**1.15**	1.14	1.14	1.10	0.99	1.00
Net assets per share (attributable to the ordinary shareholders of the Bank)[3]	**12.30**	11.41	11.43	10.64	9.87	9.34

Items	**2023**	2022	2022	2021	2020	2019
		(Restated)	*(Before restatement)*			*(in millions of RMB)*
Key financial ratios						(%)
Return on average assets	**0.69**	0.75	0.75	0.80	0.77	0.80
Return on weighted-average shareholders' equity[2]	**9.68**	10.34	10.33	10.76	10.35	11.20
Net interest margin[4]	**1.28**	1.48	1.48	1.56	1.57	1.58
Cost-to-income ratio[5]	**30.04**	29.65	28.14	27.67	26.81	28.63
Non-performing loan ratio	**1.33**	1.35	1.35	1.48	1.67	1.47
Provision coverage ratio	**195.21**	180.68	180.68	166.50	143.87	171.77
Capital adequacy ratios				*(in millions of RMB unless otherwise stated)*		
Net capital[6]	**1,351,116**	1,250,317	1,250,317	1,139,957	1,021,246	911,256
Including: Net common equity tier-1 capital[6]	**905,394**	840,164	840,164	783,877	727,611	689,489
Other tier-1 capital[6]	**176,289**	176,480	176,480	176,348	134,610	100,057
Tier-2 capital[6]	**269,433**	233,673	233,673	179,732	159,025	121,710
Risk-weighted assets[6]	**8,850,786**	8,350,074	8,350,074	7,379,912	6,695,462	6,144,459
Capital adequacy ratio (%)[6]	**15.27**	14.97	14.97	15.45	15.25	14.83
Tier-1 capital adequacy ratio (%)[6]	**12.22**	12.18	12.18	13.01	12.88	12.85
Common equity tier-1 capital adequacy ratio (%)[6]	**10.23**	10.06	10.06	10.62	10.87	11.22

Notes:

1. Loans and advances to customers do not include interest receivable of related loans and advances. Deposits from customers include interest payable of related deposits.

2. Calculated pursuant to the requirements of *Regulations on the Preparation of Information Disclosure for Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (2010 Revision)* issued by the China Securities Regulatory Commission (the "**CSRC**").

3. Refer to shareholder's equity attributable to the ordinary shareholders of the Bank after the deduction of other equity instruments against the total issued ordinary shares as at the end of the period.

4. Represented the ratio of net interest income to total average interest-bearing assets.

5. Calculated pursuant to China Accounting Standards, as business and management fees divided by operating income, which is consistent with the financial report prepared under China Accounting Standards.

6. Calculated pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (for Trial Implementation)* by the Regulatory Authorities.

III. CHANGES IN SHARES AND SHAREHOLDERS

(I) Changes in Ordinary Shares

As at the end of the Reporting Period, the Bank issued a total of 74,262,726,645 ordinary shares including 39,250,864,015 A shares and 35,011,862,630 H shares, which accounted for 52.85% and 47.15% respectively. All the ordinary shares issued by the Bank are not subject to sales restrictions.

1. Shareholdings of Top 10 Ordinary Shareholders as at the end of the Reporting Period

Name of shareholders (Full name)	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares	Shares pledged or frozen	Nature of shareholders
The Ministry of Finance of the People's Republic of China	–	13,178,424,446	17.75	A Share	Nil	Government
	–	4,553,999,999	6.13	H Share	Nil	
The Hongkong and Shanghai Banking Corporation Limited [2,4]	19,300	19,300	0.00	A Share	Nil	Foreign legal entity
	–	14,135,636,613	19.03	H Share	Nil	
The National Council for Social Security Fund [3,4]	–	3,105,155,568	4.18	A Share	Nil	Government
	–	8,433,333,332	11.36	H Share	Nil	
Hong Kong Securities Clearing Company Nominees Limited [4,5]	4,845,824	7,711,460,673	10.38	H Share	Unknown	Foreign legal entity
China Securities Finance Corporation Limited	–	1,891,651,202	2.55	A Share	Nil	State-owned legal entity
Capital Airports Holdings Co., Ltd.	–	1,246,591,087	1.68	A Share	Nil	State-owned legal entity
Hong Kong Securities Clearing Company Ltd.	(22,189,658)	1,046,095,052	1.41	A Share	Nil	Foreign legal entity
Shanghai Haiyan Investment Management Co., Ltd. [5]	–	808,145,417	1.09	A Share	Nil	State-owned legal entity
Yunnan Hehe (Group) Co., Ltd. [5]	–	745,305,404	1.00	A Share	Nil	State-owned legal entity
FAW Equity Investment (Tianjin) Co., Ltd.	–	663,941,711	0.89	A Share	Nil	State-owned legal entity

Notes:

1. The relevant data and information are based on the Bank's register of members at the Share Registrar and Transfer Office and the information provided by shareholders to the Bank.

2. According to the Bank's register of members, The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**") held 19,300 A shares and 13,886,417,698 H shares of the Bank. HSBC beneficially held 249,218,915 more H shares than shown on the Bank's register of members. The discrepancy was due to a purchase of H shares by HSBC from the secondary market in 2007 and thereafter receiving bonus shares issued by the Bank and participating in the rights issue of the Bank. Those extra shares have been registered under Hong Kong Securities Clearing Company Nominees Limited ("**HKSCC Nominees Limited**").

3. Including the 1,970,269,383 A shares of the Bank held by the Sixth Transfer Account for State-owned Capital of the National Council for Social Security Fund ("**SSF**"). Other than the above shareholdings, the SSF held additional 610,369,000 H shares, which were indirectly held by certain asset managers (including Hong Kong Stock Connect). As at the end of the Reporting Period, the SSF held a total of 12,148,857,900 A shares and H shares of the Bank, representing 16.36 % of the Bank's total ordinary shares issued.

4. HKSCC Nominees Limited held the H shares of the Bank as a nominee. The aggregate number of shares held by HKSCC Nominees Limited represents the total number of H shares of the Bank held by all institutional and individual investors who maintained an account with it as at the end of the Reporting Period. The data did not include 249,218,915 and 7,027,777,777 H shares indirectly held by HSBC and SSF respectively, which were registered under HKSCC Nominees Limited. The data did not include 13,886,417,698 and 1,405,555,555 H shares of the Bank directly held by the aforementioned two shareholders respectively as well, which were registered in the Bank's register of members.

5. Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd. are parties acting in concert as defined under the *Provisional Measures on Shareholdings Administration of Commercial Banks (China Banking Regulatory Commission Order No.1 of 2018)*. 7 subordinate enterprises of China National Tobacco Corporation including Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd. authorised and entrusted China National Tobacco Corporation to present at the Shareholders' General Meeting of the Bank and to exercise the voting rights on their behalf. HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited. Furthermore, the Bank is not aware of the existence of any related relationship among the other top 10 shareholders, or whether they are parties acting in concert as defined in the *Provisional Measures on Shareholdings Administration of Commercial Banks*.

2. *Substantial Shareholders and Holders of Interest or Short Positions Required to be Disclosed under Division 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO")*

As at the end of the Reporting Period, to the knowledge of the directors, supervisors and chief executives of the Bank, the substantial shareholders and other persons (excluding the directors, supervisors and chief executives of the Bank) who had interests or short positions in the shares or underlying shares of the Bank as recorded in the register required to be kept pursuant to Section 336 of the SFO are as follows:

Name of substantial shareholders	Capacity	Number of A shares	Nature of interest[1]	Percentage of total issued A shares (%)	Percentage of total issued shares (%)
The Ministry of Finance of the People's Republic of China	Beneficial owner	13,178,424,446[2]	Long position	33.57	17.75
HSBC Holdings plc	Interests of controlled corporation	19,300[3]	Long position	0.00	0.00
The National Council for Social Security Fund	Beneficial owner	3,105,155,568[4]	Long position	7.91	4.18

Name of substantial shareholders	Capacity	Number of H shares	Nature of interest[1]	Percentage of total issued H shares (%)	Percentage of total issued shares (%)
The Ministry of Finance of the People's Republic of China	Beneficial owner	4,553,999,999[2]	Long position	13.01	6.13
HSBC Holdings plc	Interests of controlled corporation	14,135,636,613[3]	Long position	40.37	19.03
The National Council for Social Security Fund	Beneficial owner	9,043,702,332[4]	Long position	25.83	12.18

Notes:

1. Long positions held other than through equity derivatives.

2. To the knowledge of the Bank, as at the end of the Reporting Period, the Ministry of Finance of the People's Republic of China ("**Ministry of Finance**") held 4,553,999,999 H shares and 13,178,424,446 A shares of the Bank, representing 6.13% and 17.75% of the total ordinary shares issued by the Bank, respectively.

3. HSBC Holdings plc wholly owns HSBC Asia Holdings Limited, which wholly owns HSBC. As at the end of the Reporting Period, HSBC held 19,300 A shares and 14,135,636,613 H shares of the Bank. Pursuant to the SFO, HSBC Holdings plc was deemed to own the interests associated with an aggregate of 14,135,655,913 H shares and A shares held by HSBC.

4. To the knowledge of the Bank, as at the end of the Reporting Period, the SSF held a total of 9,043,702,332 H shares and 3,105,155,568 A shares (please refer to the details in Shareholdings of Top 10 Ordinary Shareholders and relevant notes) of the Bank, representing 12.18% and 4.18% of the Bank's total ordinary shares issued, respectively.

Save as disclosed above, as at the end of the Reporting Period, no other person (excluding the directors, supervisors and chief executives of the Bank) or corporation were recorded in the register required to be kept under Section 336 of the SFO as holding any interests or short positions in the shares or underlying shares of the Bank that would fall to be disclosed to the Bank and The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**") pursuant to Divisions 2 and 3 of Part XV of the SFO.

(II) Information of Preference Shares

As at the end of the Reporting Period, the total number of preference shareholders of the Bank was 52. On 29 February 2024, the total number of preference shareholders of the Bank was 55.

1. Top 10 Preference Shareholders and their Shareholdings as at the end of the Reporting Period

Name of shareholders	Increase or decrease during the Reporting Period (share)	Number of shares held (share)	Percentage (%)	Class of shares	Shares pledged/ marked/ frozen	Nature of shareholders
China Mobile Communications Group Co., Ltd.	–	100,000,000	22.22	Domestic preference share	Nil	State-owned legal entity
HwaBao Trust Co., Ltd. – HwaBao Trust – Baofu Investment No. 1 Collective Capital Trust Plan	–	48,910,000	10.87	Domestic preference share	Nil	Others
CCB Trust Co., Ltd. – "Qian Yuan – Ri Xin Yue Yi" Open-ended Wealth Management Single Fund Trust	–	20,000,000	4.44	Domestic preference share	Nil	Others
Bosera Funds – ICBC – Bosera – ICBC – Flexible Allocation No. 5 Specific Multi-customer Asset Management Plan	–	20,000,000	4.44	Domestic preference share	Nil	Others
AVIC Trust Co., Ltd. – AVIC Trust Tianji Win-win No. 2 Securities Investment Collective Capital Fund Plan	10,000,000	20,000,000	4.44	Domestic preference share	Nil	Others
Ping An Life Insurance Company of China, Ltd. – Self-owned Capital	–	18,000,000	4.00	Domestic preference share	Nil	Others
China National Tobacco Corporation Henan Branch	–	15,000,000	3.33	Domestic preference share	Nil	State-owned legal entity
China Life Property and Casualty Insurance Company Limited – Traditional – Common insurance product	–	15,000,000	3.33	Domestic preference share	Nil	Others
Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – Common insurance product	9,800,000	13,800,000	3.07	Domestic preference share	Nil	Others
Everbright Securities Asset Management Bank – Everbright Bank – Guangzheng Asset Management Xinyou No. 4 Collective Asset Management Plan	(1,400,000)	11,600,000	2.58	Domestic preference share	Nil	Others

Notes:

1. Shareholdings of preference shareholders are summarised according to the Bank's register of members of preference shareholders.

2. "Percentage" refers to the percentage of number of preference shares held by preference shareholders in the total number of preference shares.

3. According to the *Administrative Measures on the Connected Transactions of Banking and Insurance Institutions* issued by the former China Banking and Insurance Regulatory Commission (the former "**CBIRC**"), to the knowledge of the Bank, China National Tobacco Corporation Henan Branch is related with Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd., which are among top 10 ordinary shareholders of the Bank.

4. The Bank is not aware of the existence of any related relationship among the top 10 preference shareholders or any relationship between the above shareholders and top 10 ordinary shareholders, or whether they are parties acting in concert.

2. Dividend Distribution of Preference Shares

The Bank pays dividends on preference shares in cash, on an annual basis. In the event that the Bank resolves to cancel part or all of the preference shares dividends, any shortfall in dividends not distributed to preference shareholders for the period will not accumulate for future interest periods. After receiving dividends at the agreed-upon dividend rate, preference shareholders no longer participate in the distribution of remaining profits with ordinary shareholders.

In accordance with the resolution and authorisation of the Shareholders' General Meeting, the 7th meeting of the 10th Session of Board of Directors of the Bank was held on 28 April 2023, at which the proposal for the dividend distribution of BOCOM PREF1 was considered and approved. The dividend on BOCOM PREF1 was calculated at the nominal dividend yield of 4.07% and amounted to RMB1,831,500,000, which was distributed by cash on 7 September 2023. Please refer to the announcement published on 30 August 2023 by the Bank for details of dividend distribution of preference shares.

(III) Issuance, Listing, Purchase or Sale and Redemption of Securities

During the Reporting Period, the Bank did not issue any ordinary share or convertible bond, or any corporate bond that was required to be disclosed in accordance with the *Standards on the Content and Format of Information Disclosure of Publicly Listed Company No. 2 – Content and Format of the annual Report (2021 Revision)* and the *Administrative Measures for Information Disclosure of Enterprise Credit Bonds.* During the Reporting Period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Bank.

The Bank did not issue any preference share during the past three years. During the Reporting Period, there was no redemption or conversion of preference shares of the Bank.

The Bank has no employee stock.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Financial Statement Analysis

During the Reporting Period, the Group adhered to the general guideline of making progress while maintaining stability, coordinated development alongside security, successfully achieved the Group's operating targets, maintained and consolidated the development trend of "making progress and improving quality while maintaining stability".

The scale has steadily increased. As at the end of the Reporting Period, the total assets of the Group increased by 8.23% over the end of the previous year to 14.06 trillion, of which, the Group's balance of loans and advances to customers increased by 662.120 billion or 9.08% over the end of the previous year to 7.96 trillion; balance of deposits from customers increased by 602.143 billion or 7.58% over the end of the previous year to 8.55 trillion.

Operating efficiency remains resilient. During the Reporting Period, the Group's net profit (attributable to shareholders of the Bank) amounted to 92.728 billion, representing a year-on-year increase of 0.68%. The Group's net operating income amounted to 258.014 billion representing a year-on-year increase of 0.26%.

Asset quality continues to consolidate. As at the end of the Reporting Period, non-performing loan ratio of the Group was 1.33%, decreased by 0.02 percentage point over the end of the previous year. Provision coverage ratio was 195.21%, representing an increase of 14.53 percentage points over the end of the previous year.

1. *Analysis on Key Income Statement Items*

(1) Profit before tax

During the Reporting Period, the Group's profit before tax increased by 1.583 billion or 1.61% on a year-on-year basis to 99.698 billion. The profit growth is primarily driven by a year-on-year increase in net non-interest income and a year-on-year decrease in credit impairment losses. During the Reporting Period, net non-interest income increased by 7.35% year-on-year, while credit impairment losses decreased by 5.80% year-on-year.

The selected items from the income statement of the Group during the periods indicated are shown below:

(in millions of RMB unless otherwise stated)

	2023	2022	Increase/ (decrease) (%)
Net interest income	**164,123**	169,882	(3.39)
Net non-interest income	**93,891**	87,464	7.35
Including: Net fee and commission income	**43,004**	44,855	(4.13)
Net operating income	**258,014**	257,346	0.26
Credit impairment losses	**(56,908)**	(60,411)	(5.80)
Impairment losses on other assets	**(1,062)**	(1,897)	(44.02)
Other operating expenses	**(100,346)**	(96,923)	3.53
Including: Operating expenses	**(77,369)**	(76,151)	1.60
Profit before tax	**99,698**	98,115	1.61
Income tax	**(6,446)**	(6,160)	4.64
Net profit	**93,252**	91,955	1.41
Net profit attributable to shareholders of the Bank	**92,728**	92,102	0.68

The breakdown of the net operating income of the Group during the periods indicated is shown below:

(in millions of RMB unless otherwise stated)

	2023		
Item	**Amount**	**Proportion (%)**	**Increase/ (decrease) (%)**
Net interest income	**164,123**	**63.61**	**(3.39)**
Net fee and commission income	**43,004**	**16.67**	**(4.13)**
Net gains arising from trading activities	**23,224**	**9.00**	**31.90**
Net gains arising from financial investments	**727**	**0.28**	**47.17**
Net share of profits of associates and joint ventures	**356**	**0.14**	**21.92**
Other operating income	**26,580**	**10.30**	**9.76**
Total net operating incomes	**258,014**	**100.00**	**0.26**

(2) Net interest income

During the Reporting Period, the Group's net interest income decreased by 5.759 billion on a year-on-year basis to 164.123 billion, accounting for 63.61% of the net operating income, which was a major component of the Group's income. Net interest income decreased on a year-on-year basis mainly due to the multiple reductions in Loan Prime Rate (LPR) and the adjustment in outstanding mortgage rates. The decrease in the average rate of return on loans to customers, resulting in a lower-than-expected growth in interest income. At the same time, the continuous increase in long-term deposits together with the increasing cost of foreign currency liabilities had resulted in an increase in interest expenses.

The average balances, associated interest income and expenses and average rate of return or average rate of cost of the Group's interest-bearing assets and interest-bearing liabilities during the periods indicated are shown below:

(in millions of RMB unless otherwise stated)

	From January to December 2023			From January to December 2022		
	Average Balance	**Interest income (expense)**	**Average rate of return/ (cost) (%)**	Average Balance	Interest income (expense)	Average rate of return/ (cost) (%)
Assets						
Cash and balances with central banks	**797,412**	**12,393**	**1.55**	766,989	11,020	1.44
Due from and placements with banks and other financial institutions	**961,887**	**29,671**	**3.08**	853,328	17,886	2.10
Loans and advances to customers	**7,741,769**	**306,150**	**3.95**	6,933,773	291,850	4.21
Investment securities	**3,324,985**	**111,647**	**3.36**	2,954,940	97,311	3.29
Interest-bearing assets	**12,826,053**	**459,861**	**3.59**	11,509,030	418,067	3.63
Non-interest-bearing assets	**1,046,013**			1,103,512		
Total assets	**13,872,066**			12,612,542		
Liabilities and shareholders' equity						
Deposits from customers	**8,277,139**	**192,982**	**2.33**	7,466,070	163,457	2.19
Due to and placements from banks and other financial institutions	**2,177,034**	**55,150**	**2.53**	2,114,882	44,696	2.11
Debt securities and others	**1,637,098**	**47,606**	**2.91**	1,415,962	40,032	2.83
Interest-bearing liabilities	**12,091,271**	**295,738**	**2.45**	10,996,914	248,185	2.26
Shareholders' equity and non-interest-bearing liabilities	**1,780,795**			1,615,628		
Total liabilities and shareholders' equity	**13,872,066**			12,612,542		
Net interest income		**164,123**			169,882	
Net interest spread[1]			**1.14**			1.37
Net interest margin[2]			**1.28**			1.48

Notes:

1. Represented the difference between the average rate of return on total average interest-bearing assets and the average rate of cost of total average interest-bearing liabilities.

2. Represented the ratio of net interest income to total average interest-bearing assets.

During the Reporting Period, the Group's net interest income decreased by 3.39% on a year-on-year basis. The net interest spread was 1.14%, representing a decrease of 23 basis points on a year-on-year basis. The net interest margin was 1.28%, representing a decrease of 20 basis points on a year-on-year basis.

The net interest spread and net interest margin for each quarter during the periods indicated are shown below:

	2023			
(%)	January – March	April – June	July – September	October – December
Net interest spread	**1.21**	**1.16**	**1.12**	**1.07**
Net interest margin	**1.33**	**1.30**	**1.27**	**1.22**

The table below illustrates the impact of changes in scales and interest rates on the Group's interest income and interest expenses. The changes in scales and interest rates are based on the changes in average balance and the changes on interest rates of interest-bearing assets and interest-bearing liabilities during the periods indicated.

(in millions of RMB)

	Comparison between 2023 and 2022 Increase/(Decrease) due to		
	Amount	Interest rate	Net increase/ (decrease)
Interest-bearing assets			
Cash and balances with central banks	438	935	1,373
Due from and placements with banks and other financial institutions	2,280	9,505	11,785
Loans and advances to customers	34,017	(19,717)	14,300
Investment securities	12,174	2,162	14,336
Changes in interest income	48,909	(7,115)	41,794
Interest-bearing liabilities			
Deposits from customers	17,762	11,763	29,525
Due to and placements from banks and other financial institutions	1,311	9,143	10,454
Debt securities and others	6,258	1,316	7,574
Changes in interest expenses	25,331	22,222	47,553
Changes in net interest income	23,578	(29,337)	(5,759)

During the Reporting Period, the Group's net interest income decreased by 5.759 billion on a year-on-year basis. Within this total, changes in the average balance of all assets and liabilities increased net interest income by 23.578 billion, while changes in the average rate of return and average rate of cost decreased net interest income by 29.337 billion.

① Interest Income

During the Reporting Period, the Group's interest income increased by 41.794 billion or 10.00% on a year-on-year basis to 459.861 billion, of which interest income from loans and advances to customers, investment securities and cash and balances with central banks accounted for 66.57%, 24.28% and 2.69% of total interest income, respectively.

A. Interest income from loans and advances to customers

Interest income from loans and advances to customers was the largest component of the Group's interest income. During the Reporting Period, interest income from loans and advances to customers increased by 14.300 billion or 4.90% on a year-on-year basis to 306.150 billion, which was mainly due to the increase in the average balance of loans and advances to customers by 807.996 billion or 11.65%.

Analysis of the average income of loans and advances to customers by business type and term structure

(in millions of RMB unless otherwise stated)

	From January to December 2023			From January to December 2022		
	Average balance	**Interest income**	**Average rate of return (%)**	Average Balance	Interest income	Average rate of return (%)
Corporate loans	**5,087,425**	**195,477**	**3.84**	4,412,329	176,385	4.00
– Short-term loans	**1,555,006**	**51,896**	**3.34**	1,390,254	47,582	3.42
– Medium and long-term loans	**3,532,419**	**143,581**	**4.06**	3,022,075	128,803	4.26
Personal loans	**2,378,156**	**106,798**	**4.49**	2,286,752	111,384	4.87
– Short-term loans	**597,220**	**28,096**	**4.70**	583,408	28,794	4.94
– Medium and long-term loans	**1,780,936**	**78,702**	**4.42**	1,703,344	82,590	4.85
Discounted bills	**276,188**	**3,875**	**1.40**	234,692	4,081	1.74
Total loans and advances to customers	**7,741,769**	**306,150**	**3.95**	6,933,773	291,850	4.21

B. Interest income from investment securities

During the Reporting Period, interest income from investment securities increased by 14.336 billion or 14.73% on a year-on-year basis to 111.647 billion, which was mainly due to the year-on-year increase by 370.045 billion or 12.52% in the average balance of investment securities.

C. Interest income from cash and balances with central banks

The cash and balances with central banks mainly included balances in statutory reserves and excess reserves. During the Reporting Period, interest income from cash and balances with central banks increased by 1.373 billion or 12.46% on a year-on-year basis to 12.393 billion, which was mainly due to the year-on-year increase by 11 basis points in the average rate return on cash and balances with central banks.

D. Interest income from balances due from and placements with banks and other financial institutions

During the Reporting Period, the interest income from balances due from and placements with banks and other financial institutions increased by 11.785 billion or 65.89% on a year-on-year basis to 29.671 billion, which was mainly due to the year-on-year increase by 98 basis points in the average rate of return on balances due from and placements with banks and other financial institutions.

② Interest expenses

During the Reporting Period, the Group's interest expenses increased by 47.553 billion or 19.16% on a year-on-year basis to 295.738 billion.

A. Interest expenses on deposits from customers

Deposits from customers is the Group's primary funding source. During the Reporting Period, interest expenses on deposits from customers increased by 29.525 billion or 18.06% on a year-on-year basis to 192.982 billion, accounting for 65.25% of total interest expenses.

Analysis of the average cost of deposits from customers by product type

(in millions of RMB unless otherwise stated)

	From January to December 2023			From January to December 2022		
	Average Balance	**Interest expense**	**Average rate of cost (%)**	Average Balance	Interest expense	Average rate of cost (%)
Corporate deposits	**5,060,932**	**116,680**	**2.31**	4,800,242	102,342	2.13
– Demand deposits	**1,951,091**	**21,619**	**1.11**	1,911,196	18,489	0.97
– Time deposits	**3,109,841**	**95,061**	**3.06**	2,889,046	83,853	2.90
Personal deposits	**3,216,207**	**76,302**	**2.37**	2,665,828	61,115	2.29
– Demand deposits	**819,659**	**1,947**	**0.24**	789,468	2,394	0.30
– Time deposits	**2,396,548**	**74,355**	**3.10**	1,876,360	58,721	3.13
Total due to customers	**8,277,139**	**192,982**	**2.33**	7,466,070	163,457	2.19

B. Interest expenses on balances due to and placements from banks and other financial institutions

During the Reporting Period, interest expenses on balances due to and placements from banks and other financial institutions increased by 10.454 billion or 23.39% on a year-on-year basis to 55.150 billion, which was mainly due to a year-on-year increase by 42 basis points in the average rate of cost of balances due to and placements from banks and other financial institutions.

C. Interest expenses on debt securities issued and other interest-bearing liabilities

During the Reporting Period, interest expenses on debt securities issued and other interest-bearing liabilities increased by 7.574 billion or 18.92% on a year-on-year basis to 47.606 billion, which was mainly due to a year-on-year increase by 221.136 billion or 15.62% in the average balance of debt securities issued and others.

(3) Net fee and commission income

During the Reporting Period, the Group fully leveraged the advantage of full licenses to improve its comprehensive service offerings and one-stop cross marketing ability, actively expanded diversified sources of revenue growth from fee income, and strived to create a "second curve" of sustained profit growth through the efficient collaboration of "commercial bank + investment bank + fund management + fund custody", "account + payment + products + fund supervision", "online + offline", and "domestic + overseas". However, affected by factors such as the continued volatility in the capital market, a reduction in product rates, and a further reduction of fees and charges, the Group recorded a net fee and commission income of 43.004 billion, representing a year-on-year decrease of 1.851 billion, or 4.13%, among which the wealth management revenues decreased by 2.346 billion or 23.10% on a year-on-year basis, and income from the investment banking business decreased by 572 million or 18.49% on a year-on-year basis.

The breakdown of the Group's net fee and commission income for the periods indicated is shown below:

(in millions of RMB unless otherwise stated)

	2023	2022	Increase/ (decrease) (%)
Bank cards	**18,762**	19,141	(1.98)
Wealth management business	**7,808**	10,154	(23.10)
Custody and other fiduciary businesses	**8,004**	7,496	6.78
Agency services	**5,274**	4,980	5.90
Investment banking	**2,521**	3,093	(18.49)
Guarantee and commitment	**3,201**	2,884	10.99
Settlement services	**1,375**	1,364	0.81
Others	**203**	227	(10.57)
Total fee and commission income	**47,148**	49,339	(4.44)
Less: fee and commission expense	**(4,144)**	(4,484)	(7.58)
Net fee and commission income	**43,004**	44,855	(4.13)

(4) Other non-interest income

The structure of other non-interest income composition of the Group during the period is as follows:

(in millions of RMB unless otherwise stated)

	2023	2022	Increase/ (decrease) (%)
Net gains arising from trading activities	**23,224**	17,607	31.90
Net gains arising from financial investments	**727**	494	47.17
Share of profits of associates and joint ventures	**356**	292	21.92
Other operating income	**26,580**	24,216	9.76
Total other non-interest income	**50,887**	42,609	19.43

During the Reporting Period, the Group recorded other non-interest income of 50.887 billion, of which net gains arising from trading activities amounted to 23.224 billion, representing an increase of 5.617 billion or 31.90% on a year-on-year basis, mainly attributable to the year-on-year increase in related income from investments in subsidiaries' equity, as well as the year-on-year increase in the gains and losses on debt and interest-rate derivatives as affected by the increased scale and the fluctuation of the market interest rates. Besides, it also attributed to the decline in the gains and losses on the translation of US dollar (long position) and the increasing costs on certain currency swap products.

(5) Operating expenses

During the Reporting Period, the Group's operating expenses increased by 1.218 billion or 1.60% on a year-on-year basis to 77.369 billion; the Group's cost-to-income ratio was 30.04%, representing a year-on-year increase of 0.39 percentage point. The cost-to-income ratio was around 27% if the tax exemption effect of bond interest income and other income was restored.

The breakdown of the Group's operating expenses for the periods indicated is shown below:

(in millions of RMB unless otherwise stated)

	2023	2022	Increase/ (decrease) (%)
Staff remuneration, bonus, allowance and welfare	**27,797**	26,918	3.27
Other staff costs	**13,295**	12,396	7.25
Operating expenses	**26,750**	28,187	(5.10)
Depreciation and amortisation	**9,527**	8,650	10.14
Total operating expenses	**77,369**	76,151	1.60

(6) Asset impairment losses

During the Reporting Period, the Group's asset impairment losses were 57.970 billion, representing a year-on-year decrease of 4.338 billion or 6.96%, of which the credit impairment losses on loans decreased by 3.965 billion or 6.82% on a year-on-year basis to 54.137 billion. The Group continued to adhere to the Implementation Measures for Expected Credit Losses Management in Commercial Banks and dynamically updated the impairment model's parameters to fully reflect the impact of forward-looking information on expected credit losses. Concurrently, the Group continued to adhere to regulatory requirements of "accurate asset classification, full provision of reserves, and expedite disposal" to strengthen asset quality by making reasonable and adequate provisions based on accurate measurement, therefore, sufficient risk resistance and loss absorption capacity has been well established.

(7) Income tax

During the Reporting Period, the Group's income tax expenses increased by 286 million or 4.64% on a year-on-year basis to 6.446 billion. The effective tax rate of 6.47% was lower than the statutory tax rate of 25%, which was mainly due to the tax exemption on interest income from treasury bonds and local treasury bonds held by the Group pursuant to the relevant tax provisions.

2. *Analysis on Key Balance Sheet Items*

(1) Assets

As at the end of the Reporting Period, the Group's total assets increased by 1,068.901 billion or 8.23% over the end of the previous year to 14,060.472 billion, which was mainly due to the increase in the scale of loans and advances to customers as well as financial investments.

The balances (after provision) of the key components of the Group's total assets and their proportions to the total assets as at the dates indicated are shown below:

(in millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022		31 December 2021	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Loans and advances to customers	**7,772,060**	**55.28**	7,135,454	54.93	6,412,201	54.97
Financial investments	**4,104,142**	**29.19**	3,955,207	30.44	3,523,249	30.20
Cash and balances with central banks	**898,022**	**6.39**	806,102	6.20	734,728	6.30
Due from and placements with banks and other financial institutions	**859,642**	**6.11**	690,421	5.31	632,708	5.42
Others	**426,606**	**3.03**	404,387	3.12	362,871	3.11
Total assets	**14,060,472**	**100.00**	12,991,571	100.00	11,665,757	100.00

① Loans and advances to customers

During the Reporting Period, the Group devoted its full efforts to stable growth, stable employment and stable commodity prices, intensified the efforts on implementation of counter-cyclical and cross-cycle monetary policy tools, gave full play to the role of financial institutions in serving the "country's most fundamental interests", meeting the demands for effective financing of the real economy, and devoted precise efforts in addressing major strategies, key areas and weak links. The Group also provided further credit support to areas such as inclusive services to small and micro businesses, manufacturing, strategic emerging industries, green credit and agriculture-related businesses, for the purpose of driving reasonable growth in the total amount of loans and advances and the optimisation of structures.

The balance and breakdown of the Group's loans and advances to customers at the dates indicated are shown below:

(in millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022		31 December 2021	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	**5,179,533**	**65.09**	4,711,353	64.58	4,138,582	63.09
– Short-term loans	**1,496,422**	**18.81**	1,438,252	19.72	1,309,291	19.96
– Medium and long-term loans	**3,683,111**	**46.28**	3,273,101	44.86	2,829,291	43.13
Personal loans	**2,473,100**	**31.08**	2,365,317	32.43	2,285,096	34.83
– Mortgage	**1,462,634**	**18.38**	1,512,648	20.74	1,489,517	22.70
– Credit card	**489,725**	**6.15**	477,746	6.55	492,580	7.51
– Others	**520,741**	**6.55**	374,923	5.14	302,999	4.62
Discounted bills	**304,452**	**3.83**	218,295	2.99	136,722	2.08
Total	**7,957,085**	**100.00**	7,294,965	100.00	6,560,400	100.00

As at the end of the Reporting Period, the Group's loans and advances to customers increased by 662.120 billion or 9.08% over the end of the previous year to 7,957.085 billion, among which the RMB loans from domestic institutions increased by 695.276 billion or 10.55% over the end of the previous year to 7,282.574 billion.

The corporate loan balance was 5,179.533 billion, representing an increase of 468.180 billion or 9.94% over the end of the previous year, the proportion of which in loans and advances to customers increased by 0.51 percentage point to 65.09% over the end of the previous year, among which short-term loans increased by 58.170 billion, and medium and long-term loans increased by 410.010 billion, the proportion of medium and long-term loans in loans and advances to customers increased to 46.28%.

The personal loan balance was 2,473.100 billion, representing an increase of 107.783 billion or 4.56% over the end of the previous year, the proportion of which in loans and advances to customers decreased by 1.35 percentage points to 31.08% over the end of the previous year, among which mortgage loans decreased by 50.014 billion or 3.31% over the end of the previous year. The proportion of mortgage loans in loans and advances to customers decreased by 2.36 percentage points to 18.38% over the end of the previous year, and credit card loans increased by 11.979 billion or 2.51% over the end of the previous year.

Discounted bills increased by 86.157 billion or 39.47% over the end of the previous year.

Distribution of loans and advances to customers by security types

(In millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Unsecured loans	**2,883,274**	**36.23**	2,461,988	33.75
Guaranteed loans	**1,288,963**	**16.20**	1,179,381	16.17
Loans secured by collateral	**2,904,861**	**36.51**	2,579,866	35.36
Pledged loans	**879,987**	**11.06**	1,073,730	14.72
Total	**7,957,085**	**100.00**	7,294,965	100.00

Expected credit loss allowance for loans and advances to customers

(in millions of RMB)

	31 December 2023	31 December 2022
Balance at the end of the previous year	**178,019**	161,162
Accrual/(Reversal) in the period	**54,137**	58,102
Write-offs and disposals in the period	**(31,099)**	(46,313)
Recovered after written-off	**5,679**	5,146
Other movements	**(427)**	(78)
Balance at the end of the period	**206,309**	178,019

② Financial investments

As at the end of the Reporting Period, the Group's net balance of financial investments increased by 148.935 billion or 3.77% over the end of the previous year to 4,104.142 billion.

The breakdown of investments by nature

(in millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Bonds	**3,618,639**	**88.17**	3,416,632	86.38
Equity instruments and others	**485,503**	**11.83**	538,575	13.62
Total	**4,104,142**	**100.00**	3,955,207	100.00

The breakdown of investments by the presentation basis of financial statements

(in millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Financial investments at fair value through profit and loss	**642,282**	**15.65**	705,357	17.83
Financial investments at amortised cost	**2,573,911**	**62.71**	2,450,775	61.97
Financial investments at fair value through other comprehensive income	**887,949**	**21.64**	799,075	20.20
Total	**4,104,142**	**100.00**	3,955,207	100.00

As at the end of the Reporting Period, the balance of the Group's bonds investments increased by 202.007 billion or 5.91% over the end of the previous year to 3,618.639 billion. In the future, the Group will reinforce the research and judgement of the economic and financial situation, and focus on the allocation of incremental investment and optimisation of historical bonds investments. First, the Group will maintain the overall strategy of investing mainly in interest rate bonds and make arrangements for investment in treasury bonds and local treasury bonds, etc. Secondly, the Group will proactively meet the financing needs of debt issuers in areas such as scientific and technological innovation, advanced manufacturing, green development, rural revitalisation, as well as small and micro enterprises, and to make a sound project reserve for credit bonds and investment arrangements in key regions such as the Beijing-Tianjin-Hebei Region, the Guangdong-Hong Kong-Macau Region and the Yangtze River Delta. Thirdly, the Group will increase the bonds transaction volume and expedite the turnover of treasury bonds and policy bank financial bonds. Fourthly, the Group will strengthen the market research and judgement to understand the characteristics of the changes in U.S. bond yields and yield curves after the Federal Reserve paused rate hikes, for the purpose of maintaining the value of foreign currency bonds based on good liquidity management.

The breakdown of securities investment by issuers

(in millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Government and central banks	**2,836,600**	**78.38**	2,626,005	76.86
Public sector entities	**35,653**	**0.99**	37,930	1.11
Interbank institutions and other financial institutions	**549,166**	**15.18**	539,009	15.78
Corporate entities	**197,220**	**5.45**	213,688	6.25
Total	**3,618,639**	**100.00**	3,416,632	100.00

As at the end of the Reporting Period, financial bonds held by the Group amounted to 549.166 billion, including bonds issued by policy banks of 73.436 billion and by interbank institutions and non-bank financial institutions of 475.730 billion, which accounted for 13.37% and 86.63%, respectively.

Top 10 financial bonds held by the Group

(in millions of RMB unless otherwise stated)

Bond name	Face value	Annual interest rate (%)	Maturity date	Impairment allowance
Policy Bank Bond issued in 2017	6,309	4.39	08/09/2027	2.11
Policy Bank Bond issued in 2018	5,256	4.98	12/01/2025	1.76
Policy Bank Bond issued in 2022	3,405	SOFR+1.06	29/09/2027	0.99
Policy Bank Bond issued in 2017	3,372	4.30	21/08/2024	1.13
Policy Bank Bond issued in 2019	3,222	2.70	19/03/2024	0.44
Commercial Bank Subordinated Bond issued in 2023	3,073	3.07	30/08/2033	–
Commercial Bank Bond issued in 2023	3,015	2.70	23/11/2026	1.01
Commercial Bank Bond issued in 2022	2,986	2.45	11/11/2025	2.00
Commercial Bank Bond issued in 2022	2,957	SOFR+0.78	28/04/2025	0.58
Policy Bank Bond issued in 2018	2,898	4.88	09/02/2028	0.97

③ Foreclosed asset

The selected information of the Group's foreclosed asset on the dates indicated is shown below:

(in millions of RMB)

	31 December 2023	31 December 2022
Original value of foreclosed assets	**1,384**	1,412
Less: Impairment allowance	**(439)**	(412)
Net value of foreclosed assets	**945**	1,000

(2) Liabilities

The Group thoroughly implemented the *Administrative Measures for the Management of Commercial Banks' Liability Quality* issued by National Administration of Financial Regulation ("**NAFR**") with the aim of ensuring the security, liquidity and efficiency of its operation, and continued to optimise and improve the liability quality management system that was suited with the size and complexity of its liabilities in accordance with the principle of adapting to the business strategy, risk appetite and overall business characteristics, for the purpose of continuously improving the capability and level of liability quality management. During the Reporting Period, the Group conscientiously implemented the requirements of the "six characteristics"[1] of liability quality management, continued to expand

1 Stability of liability sources, diversity of liability structures, rationality of matching liabilities and assets, initiative in acquiring liabilities, appropriateness of liability costs, and authenticity of liability projects.

the liability business, consolidated customer basis, and strengthened the monitoring and analysis of liability quality, resulting in a steady development of the liabilities business.

The balance and proportion of the main components in the total liabilities of the Group as of the dates indicated are shown below:

(in millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022		31 December 2021	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Deposits from customers	**8,551,215**	**65.98**	7,949,072	66.47	7,039,777	65.86
Due to and placements from interbank institutions and other financial institutions	**2,424,537**	**18.71**	2,034,894	17.02	1,947,768	18.22
Certificates of deposits issued	**1,027,461**	**7.93**	1,092,366	9.13	892,020	8.35
Debt securities issued	**592,175**	**4.57**	530,861	4.44	503,525	4.71
Others	**365,634**	**2.81**	350,856	2.94	305,431	2.86
Total liabilities	**12,961,022**	**100.00**	11,958,049	100.00	10,688,521	100.00

As at the end of the Reporting Period, the Group's total liabilities increased by 1,002.973 billion or 8.39% over the end of the previous year to 12,961.022 billion. Among them, deposits from customers increased by 602.143 billion or 7.58% over the end of the previous year, which accounted for 65.98% of total liabilities and represented a decrease of 0.49 percentage point over the end of the previous year; the balance of due to and placements from interbank institutions and other financial institutions increased by 389.643 billion or 19.15% over the end of the previous year, which accounted for 18.71% of total liabilities and represented an increase of 1.69 percentage points over the end of the previous year.

Deposits from customers

Deposits from customers is the Group's major funding source. As at the end of the Reporting Period, the Group's balance of deposits from customers increased by 602.143 billion or 7.58% over the end of the previous year to 8,551.215 billion. In terms of customer structure, the proportion of corporate deposits was 58.96%, representing a decrease of 2.40 percentage points over the end of the previous year, while the proportion of personal deposits was 39.27%, representing an increase of 2.09 percentage points over the end of the previous year. In terms of deposit tenure, the proportion of demand deposits decreased by 1.83 percentage points over the end of the previous year to 34.33%, while the proportion of time deposits increased by 1.52 percentage points over the end of the previous year to 63.90%.

The balance and breakdown of the Group's deposits from customers as of the dates indicated are shown below:

(in millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022		31 December 2021	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits	**5,041,991**	**58.96**	4,877,033	61.36	4,550,020	64.63
– Demand deposits	**2,050,524**	**23.98**	1,989,383	25.03	2,061,672	29.28
– Time deposits	**2,991,467**	**34.98**	2,887,650	36.33	2,488,348	35.35
Personal deposits	**3,358,156**	**39.27**	2,955,724	37.18	2,402,812	34.13
– Demand deposits	**884,746**	**10.35**	885,013	11.13	850,831	12.09
– Time deposits	**2,473,410**	**28.92**	2,070,711	26.05	1,551,981	22.04
Other deposits	**3,240**	**0.04**	4,227	0.05	3,359	0.05
Accrued interest	**147,828**	**1.73**	112,088	1.41	83,586	1.19
Total	**8,551,215**	**100.00**	7,949,072	100.00	7,039,777	100.00

(3) *Off-balance sheet items*

The Group's off-balance sheet items included derivative financial instruments, contingencies and commitments as well as collaterals.

The Group entered into various derivative financial instruments including interest rate contracts, exchange rate contracts, precious metals and commodity contracts for trading, hedging, asset and liability management and on behalf of customers. Please refer to "VII. Financial Report 8" Derivative Financial Instruments for the details of nominal amount and fair value of the derivative financial instruments.

The Group's contingencies and commitments mainly included outstanding litigations, credit related commitments and financial guarantees, capital expenditure commitments, operating leasing commitments, commitments on security underwriting and bond acceptance. Please refer to "VII. Financial Report 10" Contingencies for the details of contingencies, and "VII. Financial Report 11" Commitments for the details of commitments.

The Group uses part of its assets as collaterals for interbank repurchase arrangements and other liabilities-related business.

3. Analysis on Key Cash Flow Items

As at the end of the Reporting Period, the balance of Group's cash and cash equivalents increased by 26.658 billion over the end of the previous year to 275.461 billion.

The net cash inflows from operating activities decreased by 230.898 billion on a year-on-year basis to 137.323 billion, which was mainly due to the decrease in net cash inflow from deposits from customers and certificates of deposits issued.

The net cash outflows from investing activities decreased by 168.274 billion on a year-on-year basis to 116.623 billion, which was mainly due to the decrease in net cash outflow from securities investment.

The net cash inflows from financing activities increased by 37.863 billion on a year-on-year basis to 4.888 billion, which was mainly due to the increase in net cash inflow from issuance and redemption of bonds.

4. Segment Analysis

(1) Operating results by geographical segments

The profit before tax and net operating income from each of the Group's geographical segments for the periods indicated are as below:

(in millions of RMB unless otherwise stated)

	2023				2022			
	Profit before tax	**Proportion (%)**	**Net operating income[1]**	**Proportion (%)**	Profit before tax	Proportion (%)	Net operating income[1]	Proportion (%)
Yangtze River Delta	**47,584**	**47.73**	**91,566**	**35.49**	47,695	48.61	86,946	33.79
Pearl River Delta	**7,876**	**7.90**	**24,521**	**9.50**	11,199	11.41	25,124	9.76
Bohai Rim Economic Zone	**20,759**	**20.82**	**30,854**	**11.96**	8,636	8.80	31,683	12.31
Central China	**20,859**	**20.91**	**36,909**	**14.31**	28,133	28.69	38,489	14.96
Western China	**8,809**	**8.84**	**22,802**	**8.84**	9,380	9.56	23,336	9.07
North Eastern China	**2,938**	**2.95**	**7,200**	**2.79**	32	0.03	7,371	2.86
Overseas	**5,948**	**5.97**	**17,761**	**6.88**	3,791	3.86	13,286	5.16
Head Office[2]	**(15,075)**	**(15.12)**	**26,401**	**10.23**	(10,751)	(10.96)	31,111	12.09
Total[3]	**99,698**	**100.00**	**258,014**	**100.00**	98,115	100.00	257,346	100.00

Notes:

1. Including net interest income, net fee and commission income, net gains arising from trading activities, net gains arising from financial investments, net share of profits of associates and joint ventures as well as and other income. Same applies hereinafter.

2. Including the Pacific Credit Card Centre. Same applies hereinafter.

3. Including profit/(loss) attributable to non-controlling interests.

4. The comparative information was prepared in accordance with the categorisation of the current period since the assessment rules of the income and expense distribution between various business segments have been adjusted.

(2) *Deposits and loans and advances by geographical segments*

The Group's loans and advances balances by geographical segments as at the dates indicated are as below:

(in millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022	
	Loans and advances balances	**Proportion (%)**	Loans and advances balances	Proportion (%)
Yangtze River Delta	**2,226,422**	**27.98**	1,999,175	27.40
Pearl River Delta	**1,051,204**	**13.21**	978,749	13.42
Bohai Rim Economic Zone	**1,288,078**	**16.19**	1,137,282	15.59
Central China	**1,290,880**	**16.22**	1,196,075	16.40
Western China	**947,510**	**11.91**	875,476	12.00
North Eastern China	**265,215**	**3.33**	250,190	3.43
Overseas	**359,446**	**4.52**	376,277	5.16
Head Office	**528,330**	**6.64**	481,741	6.60
Total	**7,957,085**	**100.00**	7,294,965	100.00

The Group's deposit balances by geographical segments as at the dates indicated are as below:

(in millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022	
	Deposit balances	**Proportion (%)**	Deposit balances	Proportion (%)
Yangtze River Delta	**2,363,907**	**27.64**	2,157,812	27.15
Pearl River Delta	**1,057,766**	**12.37**	1,024,315	12.89
Bohai Rim Economic Zone	**1,825,945**	**21.35**	1,671,923	21.02
Central China	**1,365,881**	**15.99**	1,260,425	15.86
Western China	**894,662**	**10.46**	846,610	10.65
North Eastern China	**426,274**	**4.98**	391,719	4.93
Overseas	**465,463**	**5.44**	480,408	6.04
Head Office	**3,489**	**0.04**	3,772	0.05
Accrued interest	**147,828**	**1.73**	112,088	1.41
Total	**8,551,215**	**100.00**	7,949,072	100.00

(3) *Operating results by business segments*

The Group's four main business segments are corporate banking, personal banking, treasury businesses and other businesses.

The Group's profit before tax and net operating income by business segments for the periods indicated are as below:

(in millions of RMB unless otherwise stated)

	2023		2022	
	Amount	**Proportion (%)**	Amount	Proportion (%)
Net operating income	**258,014**	**100.00**	257,346	100.00
Corporate banking	**127,582**	**49.45**	125,006	48.58
Personal banking	**106,818**	**41.40**	106,162	41.25
Treasury businesses	**22,944**	**8.89**	25,129	9.76
Other businesses	**670**	**0.26**	1,049	0.41
Profit before tax	**99,698**	**100.00**	98,115	100.00
Corporate banking	**50,559**	**50.71**	42,410	43.22
Personal banking	**33,540**	**33.64**	34,091	34.75
Treasury businesses	**15,779**	**15.83**	21,299	21.71
Other businesses	**(180)**	**(0.18)**	315	0.32

Note: The comparative information was prepared in accordance with the categorisation of the current period since the assessment rules of the income and expense distribution between various business segments have been adjusted.

5. *Capital Adequacy Ratio*

The Group calculated the capital adequacy ratios pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* and the relevant requirements. As at the end of the Reporting Period, the Group's capital adequacy ratio, tier-1 capital adequacy ratio and common equity tier-1 capital adequacy ratio were 15.27%, 12.22%, and 10.23% respectively, all of which complied with the regulatory requirements.

(in millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022	
	The Group	**The Bank**	The Group	The Bank
Net common equity tier-1 capital	**905,394**	**753,713**	840,164	701,902
Net tier-1 capital	**1,081,683**	**928,503**	1,016,644	876,692
Net capital	**1,351,116**	**1,192,473**	1,250,317	1,104,732
Common equity tier-1 capital adequacy ratio (%)	**10.23**	**9.55**	10.06	9.40
Tier-1 capital adequacy ratio (%)	**12.22**	**11.76**	12.18	11.74
Capital adequacy ratio (%)	**15.27**	**15.10**	14.97	14.80

Note:

1. The above calculation excluded China BoCom Insurance Co., Ltd. and BOCOM MSIG Life Insurance Company Limited.

2. According to regulatory requirements of the *Implementation Scope of the Advanced Measurement Approach of Capital Management* approved by the regulatory authorities, the credit risk was assessed by the internal rating-based approach, the market risk was assessed by the internal model approach, and the operational risk was assessed by the standardised approach. The credit risk not covered by the internal rating-based approach was assessed by the weighted approach. The market risk not covered by the internal model approach was assessed by the standardised approach. The operational risk not covered by the standardized approach was assessed by the basic-indicator approach.

For further information on the Group's capital measurement, please refer to the 2023 Capital Adequacy Ratio Report of Bank of Communications Co., Ltd. at the website of SSE, the HKEXnews's website or the official website of the Bank.

6. Leverage Ratio

The Group calculated the leverage ratio pursuant to the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)*. As at the end of the Reporting Period, the Group's leverage ratio was 7.03%, which complied with the regulatory requirements.

(in millions of RMB unless otherwise stated)

	31 December 2023	30 September 2023	30 June 2023	31 March 2023
Net tier-1 capital	**1,081,683**	1,054,858	1,036,471	1,039,682
Balance of adjusted on-and off balance sheet assets	**15,397,025**	15,113,086	15,150,643	14,983,789
Leverage ratio (%)	**7.03**	6.98	6.84	6.94

(II) Business Review

1. Development Strategies and Implementation

Guided by the strategic goal of "building a world-class banking group with distinctive advantages", the Group continued to build four major business characteristics while improving the quality and efficiency of serving the real economy, and regarded green finance as the keynote for the business operation and development of the entire group. With construction of "Shanghai Base" and digital transformation as strategic breakthroughs, the Group has continued to optimize the credit structure, promote product innovation, increase resource investment, strengthen service capacity, maintain stable development quality, further improve comprehensive capabilities, and achieve strategic improvement of phased goals.

(1) Creating business features while striving for excellence and achievements

Inclusive finance. The Group continuously increased financial support to small and micro enterprises and for rural revitalisation, being devoted to expanding domestic demand and boosting consumption, and steadily improving the quality and efficiency of inclusive financial businesses. As at the end of the Reporting Period, the balance of inclusive loans provided to small and micro enterprises and agriculture-related loans increased by 29.38% and 24.80% respectively compared with the end of last year, and by 159.99% and 54.94% respectively compared with the end of 2020. The number of customers of inclusive services provided to small and micro enterprises with a loan balance increased by 16.51% over the end of the previous year, and by 2.3 times over the end of 2020. Annual personal comprehensive consumption loans and personal business loans reached the highest level in history.

Trade finance. The Group actively served the development of the industrial chain and the supply chain and promoted the high-level opening-up to the outside world. The Group further stimulated the capability of trade finance in serving the real economy and the new development landscape of dual circulation. In 2023, the amount of trade finance incurred (1.5 trillion) and industrial value chain financial business (577.7 billion) were 2.4 times and 2 times that of 2020, respectively. The amount of cross-border RMB receipts and payments (1.9 trillion) for the whole year was 2.5 times over that of 2020. Cross-border business income was 1.6 times over that of 2020.

Sci-tech finance. The Group kept up with the pace of national technological self-reliance and industrial transformation and upgrading, concentrating financial resources on original and pioneering sci-tech research to achieve breakthroughs. The Group focused on serving strategic emerging industries, advanced manufacturing, technological innovation, traditional industry upgrading and other fields, and optimizing the customer structure and asset structure. As at the end of the Reporting Period, sci-tech finance credit customers increased by 41.2% over the end of the previous year; and strategic emerging industry loans, "SRDI (specialized, refined, differential, innovative)" small and medium-sized enterprises loans, and technology-based small and medium-sized enterprises loans increased by 31.12%, 73.95%, and 39.54%, respectively.

Wealth finance. The Group proactively implemented the development ideology of providing finance for the people, and created a full-chain wealth management operating system to match the multi-level wealth management needs of the people. As at the end of the Reporting Period, individual financial assets under management (AUM[2]) managed by domestic banking institutions increased by 8.23% over the end of the previous year, and by 28.21% over the end of 2020. The Group continued to expand our customer base and explore potential customers, with the number of middle and high-end customers increasing by 9.06% over the end of the previous year, and by 39.22% over the end of 2020. The balance of the Group's wealth management products increased by 7.91% compared with the end of the previous year, and by 19.06% over the end of 2020. The proportion of net-worth wealth management products increased by 4.62 percentage points compared with the end of the previous year, and by 42.19 percentage points over the end of 2020.

Green finance. The Group integrated the concept of green development into the entire process of creating distinctive business characteristics, and consistently strengthened efforts in supporting green and low-carbon transformation. The Group improved the "2+N" green finance policy system to integrate green development concepts into credit management procedures and promote the construction of a green intelligent identification and ESG evaluation system. The Group integrated green credit, green investment banking, green inclusive finance, and other products into a comprehensive service solution based on a variety of green development scenarios, and launched innovative green finance services such as green leasing and green industry investment. As at the end of the Reporting Period, the balance of green loans increased by 29.37% over the end of the previous year, and by 126% over the end of 2020. The balance of green bond investments increased by 68.66% over the end of the previous year. The results of BoCom's green finance initiatives have been included in the *Green and Low-carbon Case Study of the First Carbon Neutrality Expo*.

[2] Excluding the fair value of customers' securities, same applies hereinafter.

(2) Continuing to exert efforts by focusing on two breakthroughs

Leveraging the advantages and leading role of "Shanghai Base". The Group continued to promote innovation and breakthroughs, and are focused on making "Shanghai Base" a source of innovation for the Group. As at the end of the Reporting Period, the market shares of general deposits and general loans of the Shanghai branch increased by 0.17 percentage point and 0.21 percentage point respectively over the end of the previous year. In terms of serving economic and social development in Shanghai, the coverage rate of cooperation in major projects at the city and district level in Shanghai increased by 13.76 percentage points compared with the end of the previous year. The Group has supported the improvement of the core functions of Shanghai to develop as an international financial centre with the annual transaction trading volume of the interbank market for the year increased by 32% on a year-on-year basis and transaction volume in each market segment maintained as an active trader, and ranked first in clearing business market in Shanghai Clearing House. With a focus on areas such as "Credit for Medical Treatment", Sci-tech finance, BOCOM-Government Connect, consumption and pensions, the Group developed a series of cases showing innovation led by the main base to promote bank-wide transformation with the purpose of establishing innovative businesses within the entire bank.

Deeply promoting digital transformation. The Bank speeded up the construction of a "New Digital BoCom" and promoted the deep integration of technology and business. As at the end of the Reporting Period, the Bank continued to increase investment in digital transformation, with fintech talent accounting for 8.29% of the total number of employees of the Group. The Bank further improved the enterprise-level data standards system, with further enhancements in data support capabilities. The Group focused on prioritizing the retail business to develop a digital operating system and promote the overall construction of the enterprise-level structure, middle office and product factory, while at the same time implemented the retail credit and "BoCom Express Pay" enterprise-level structure projects. New versions of personal mobile banking, corporate mobile banking and corporate online banking were launched. BOCOM On-cloud and physical outlets were deeply linked, and the proportion of customers acquired online for inclusive service provided to small to micro enterprises exceeded 80%. The Bank deepened the application of artificial intelligence (AI) in scenarios such as customer service, product promotion, and risk mitigation and control. The Bank also accelerated the planning of new digital infrastructures, including further promoting the initiative of "laying a strong foundation, building an efficient network, constructing a cloud platform, and consolidating the core business systems", operating the new local data centre in Pujiang District to the highest standards, intensifying the construction of remote data centres, accelerating the development of "cloud" infrastructure, and speeding up the launch of a new generation of distributed cloud computing architecture.

2. *Corporate Banking Business*

- The Bank served the real economy by promoting an increase in total credit allocation with an excellent structure. During the Reporting Period, the Group's corporate loan balance increased by 468.180 billion or 9.94% over the end of the previous year, in which medium and long-term loans of the manufacturing industry, green credit, and agriculture-related loans increased by 39.41%, 29.37% and 24.80%, respectively, all exceeding the average growth rate of the Group's loans.

- The Bank served national strategies and supported the development of key areas. As at the end of the Reporting Period, the balance of loans of three major regions including the Yangtze River Delta, the Guangdong-Hong Kong-Macau Greater Bay Area and the Beijing-Tianjin-Hebei Region increased by 9.86% over the end of the previous year, exceeding the average growth rate of the Group's loans by 0.79 percentage point. Balance of loans in these three major regions accounted for 53.84%, representing an increase of 0.39 percentage point over the end of the previous year.

- The Bank is fully devoted to creating business features and has accelerated the development of sci-tech finance and industrial chain finance. At the end of the Reporting Period, the number of credit customers in sci-tech finance increased by 41.20% over the end of the previous year. The loan balance of strategic emerging industries increased by 31.12% over the end of the previous year, and its proportion in corporate loans increased by 2.56 percentage points over the end of the previous year. The business volume of industrial value chain financing increased by 21.20% year-on-year.

(1) Customer development

The Bank continuously optimised the management of corporate customers by tiered classification and built a refined and professional service system. As at the end of the Reporting Period, the total number of corporate customers of domestic banking institutions increased by 8.18% over the end of the previous year.

For group customers, the Bank increased its services and support for national strategies such as the building of a strong power in technology, manufacturing, green development, digital economy and agriculture. It also committed to establishing a group-wide integrated and collaborative service system and continued to optimise customer service policies and credit procedures in order to improve service level and business synergy. At the end of the Reporting Period, the total number of group customers was 97,500, representing an increase of 9,650 over the end of last year. In terms of government institutions customers, the Bank actively participated in the construction of digital government and the process of digital transformation of cities, helped to provide convenient administrative services, and built a system of intelligent government products. As at the end of the Reporting Period, the number of government institutions customers reached 77,000, representing an increase of 2,944 over the end of the previous year. For small and micro basic customers, the Bank further implemented the strategy of "Internet Management, Online Management and Remote Management", and established a new generation for the call system, enhanced support for digital batch financial services, and improved the quality and efficiency of online-offline collaborative services. As at the end of the Reporting Period, the number of small and micro basic customers reached 2,444.7 thousand, representing an increase of 188.8 thousand over the end of the previous year.

(2) *Scenario construction*

The Bank intensively explored scenario construction through digital thinking, gaining noticeable achievements in subdivided scenarios such as medical care, industrial parks, central corporate treasury and interbank fund management. The "Credit for Medical Treatment" initiative has been launched in 82 cities, including Shanghai, Nanjing, Dalian, Guangzhou and Kunming, to solve the problem of queuing for medical treatment through the new model of "Treatment First and Payment Later". With the focus on "fee collection" and "fee reconciliation", the Group created a comprehensive service solution combining both online and offline channels to offer distinct features in different scenarios, including industrial parks and electricity payment. The total number of customers signed up on the Intelligent Financial Services Platform exceeded 138.5 thousand, representing an increase of 27,200 over the end of the previous year, with a collection and settlement volume of 1,985.751 billion, representing a year-on-year increase of 121.11%. The Group actively served the construction of a treasury system for central and state-owned enterprises, and the Group is among the first in the industry to launch account monitoring services based on the request of customers to enhance the visibility of their accounts. With a focus on the informatisation of enterprise financial management, the Group launched an inter-bank fund management system to address the pain points and difficulties of enterprises in inter-bank fund management.

(3) Inclusive service provided to small and micro enterprises

The Group has continued to increase the scale and coverage of its credit business to strengthen financial support for key areas including small and micro enterprises who are first-time lenders, credit lending, sci-tech-based small and micro enterprises, and small and micro manufacturing enterprises. The Group have created a unified brand for inclusive finance and rural revitalization – BoCom Zhanyetong and BoCom Yinongtong, to enable the driving of online standard products and customized scenario products. The Group consistently optimise our business processes to facilitate remote audio and video verification, direct connection and handling of mortgage registrations, as well as centralized post loan monitoring and management. By focusing on customer operation pain points in payroll, tax, people, and other issues, we provide the BoCom Jiaoxintong digital platform free of charge to support enterprises in their transformation and upgrade. The Group consistently enhance our evaluation, incentive and resource mechanisms to promote the "conduct of inclusive finance by all employees". By concentrating on technological empowerment, the Bank has consolidated the digital risk control system, and strengthened post loan management and compliance management to firmly uphold the risk bottom line.

At the end of the Reporting Period, the balance of inclusive loans provided to small and micro enterprises was 590.279 billion, representing an increase of 29.38% over the end of the previous year. The number of customers with loan balances was 341.5 thousand, representing an increase of 16.51% over the end of the previous year. The accumulated average interest rate of inclusive loans provided to small and micro enterprises was 3.43%, representing a year-on-year decrease of 32 basis points. Non-performing loan ratio of inclusive loans provided to small and micro enterprises was 0.70%, representing a decrease of 0.11 percentage point over the end of the previous year. Also, 2,780 business outlets of the Bank provided financing services for small and micro enterprises.

(4) Industrial chain finance

By capturing the strategic opportunity brought about by the construction of a modern industrial system, the Bank continues to conduct the "100 cores and 1,000 chains" initiatives, with a focus on key customer groups such as central and state-owned enterprises, strategic customers and leading local enterprises, increasing the support given to key sectors, including manufacturing, scientific and technological innovation and green development, as well as assisting the real economy to strengthen, supplement and extend the industrial chain. We enhanced the iterative optimisation and marketing of the self-built smart transaction chain platform, continued its integration with core enterprises and third-party supply chain platforms, and created digital scenario-based service features for industrial chain finance. The Bank continued to enrich its rapid financing product line to improve service efficiency, optimise the customer experience, and enhance the digitalisation of business development. During the Reporting Period, the industrial chain financing business volume amounted to 577.685 billion, representing an increase of 21.20% on a year-on-year basis and the number of upstream and downstream enterprises in the industrial chain amounted to 47,300, representing an increase of 79.79% year-on-year.

(5) Sci-tech services

The Bank proactively adhered to the strategy of strengthening the country through science and technology, reinforced the connection between industry and finance, and leveraged the advantage of full licenses to provide sci-tech enterprises with diversified financial products and services throughout their entire life cycle in order to excel in sci-tech finance area. The Bank optimised customer structure and asset structure by focusing on serving strategic emerging industries, advanced manufacturing industries, sci-tech innovation, green and low-carbon, and the upgrading of traditional industries, etc. The Bank focused on key clients including high-tech enterprises, sci-tech small and micro enterprises, national manufacturing leaders, specialised and new "little giants", specialised and new small and micro enterprises, and model companies for national technology innovation, to build an "eight specialists" mechanism to serve sci-tech innovation enterprises. In addition, it also launched the "BoCom Sci-tech Innovation" brand to introduce exclusive service solutions covering the four major product lines of "equity, debt, lending and rental" and the three major scenarios of "industrial chain, business cycle and industrial park". Focusing on the different life stages of inclusive sci-tech innovation enterprises, the Bank has improved the level of online financing services. As at the end of the Reporting Period, the number of sci-tech finance credit customers increased by 41.20% over the end of the previous year, the loan balance of strategic emerging industries increased by 31.12% compared with the end of the previous year. There were 4,783 "little giant" enterprises of "specialisation, delicacy, characterisation and novelty", with a market coverage rate of 39.26%; their loan balances increased by 55.41% over the end of the previous year.

(6) Investment bank

The Bank continues to consolidate a comprehensive range of products for all customers and establish itself as the most innovative investment bank. During the Reporting Period, bond underwriting according to NAFMII (debt financing instruments for non-financial enterprises) reached 301.88 billion. We strive to serve the sci-tech financial strategy by providing services such as bill underwriting, M&A loans, and equity investment to sci-tech enterprises amounting to 35.89 billion, representing an increase of 126.7% year-on-year. We promoted the establishment of BoCom Sci-tech Innovation • Shanghai sci-tech finance master-feeder fund to meet the needs of technology start-ups for equity investment with the purpose of reaching customers at an earlier stage. The Bank served the green development strategy, and saw rapid growth in the green bond underwriting business, green M&A loans, and the green equity investment business. The bank implemented 38.45 billion in green finance investment banking business for the year, representing a year-on-year growth of 107.6%. It was invited to join as a member of the Green Bond Standards Committee jointly established by the People's Bank of China (the "**PBOC**") and the CSRC. In order to meet the reasonable direct financing needs of real estate enterprises, the Bank had underwritten real estate corporate bonds of 13.59 billion, representing an increase of 56.5% year-on-year, taking advantages of its diversified product portfolios such as private enterprise bond financing and credit risk mitigation warranty (CRMW). In order to shape new advantages in digital finance, the Bank continued to iteratively upgrade the "Win to Fortune e-Smart" information consultancy system. The first batch of hybrid sci-tech innovation bills in interbank market underwritten by the Bank as the lead underwriter won the "Excellence Award" of the Science and Technology Innovation Center of Shanghai Financial Industry Federation.

3. Personal Banking Businesses

- The personal deposits grew steadily. As at the end of the Reporting Period, the balance of personal deposits amounted to 3,358.156 billion, representing an increase of 13.62% over the end of the previous year. During the Reporting Period, with more intensified structural adjustments and pricing control, the interest payment cost ratio for RMB savings deposits of domestic banking institutions was 2.28%, representing a decrease of 9 basis points over the end of the previous year.

- The consumption loans grew rapidly. With the focus on enhancing the coverage, availability and satisfaction of financial services, the Bank increased the granting of inclusive loans to better meet the consumption credit needs of the people. As at the end of the Reporting Period, the balance of personal loans amounted to 2,473.100 billion, representing an increase of 4.56% over the end of the previous year. Of which, the balance of personal consumption loans was 158.117 billion, an increase of 86.25% over the end of the previous year, representing an increase in the market share[3] by 1.54 percentage points over the end of the previous year.

- The base of retail customers is stable and strengthened. The Bank adhered to the tiered and categorised operating system for clients and enhanced customer acquisition through "online + offline" channels under all scenarios. As at the end of the Reporting Period, the number of retail customers of domestic institutions reached 192 million, and the number of middle and high-end customers exceeded 2.5 million, representing an increase of 9.06% over the end of the previous year.

(1) Retail customers and AUM

The Bank deepened the management of retail customer stratification and classification to build precise customer profiles for the purpose of enabling the sophisticated and intelligent reach to different customer groups. The Bank strived to promote retail digital transformation by creating an integrated "online + offline" full process service system, enriched financial service scenarios, enhanced the effectiveness of customer acquisition and activation within all channels and scenarios, improved the ability for value creation, and enabled sustained and stable growth in AUM. As at the end of the Reporting Period, the number of retail customers of domestic branches (including debit card and credit card customers) increased by 0.25% over the end of the previous year to 192 million[4]. The number of qualified OTO Fortune customers increased by 9.07% over the end of the previous year to 2.4200 million. As at the end of the Reporting Period, the scale of AUM increased by 8.23% over the end of the previous year to 5,001.919 billion.

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[3] 17 commercial banks

[4] The slower growth in the number of customers for the entire year over that in the first half of the year was due to the clearing of dormant accounts.

(2) Wealth management

Adhering to a customer-oriented philosophy, the Bank constantly improved its product offerings, enhancing the availability and coverage of its services so as to benefit its customers with secured and profitable financial products with high liquidity and to meet the increasing demand for wealth management products. We proactively responded to the unfavourable external environment to build a robust full-chain operating system for the wealth management business. Further driven by investment and research, we integrated group resources to establish a collaborative investment strategic meeting mechanism within the entire Group. By holding on to the principle of openness and integration, the Bank selected high-quality products from the market to enrich inclusive financial products with low starting points and stable returns, and established strict selection criteria for "OTO Best Choice" products. The Bank adopted a data driven approach to facilitate the re-engineering and reshaping of asset allocation, operating system, and service models to empower business development. The Bank also improved customer accompaniment by working with leading partner institutions to leverage an open wealth management platform to provide outstanding full-process services. The "OTO Best Choice" product series outperformed its market counterparts in 2023. As at the end of the Reporting Period, the balance of personal public funds products on consignment was 224.280 billion, the balance of personal wealth management products on consignment was 853.135 billion, and the balance of insurance products on consignment was 291.412 billion.

(3) Payment and Scenarios

The Bank increased financial support for consumption by launching promotional activities for the purchase of automobiles, household items, and home electrical appliances, and conduced time-honoured carnival-themed marketing activities together with China UnionPay. Themed debit cards were issued alongside a reduction of handling fees and an increased promotion of benefits such as consumption discounts for four major types of new citizens made up of migrant workers and farmers, self-employed business owners and small and micro entrepreneurs, white-collar workers, and college students, as well as elderly people moving alongside their children. We also provided support to flexible employment workers to settle their provident fund and pension insurance through mobile banking or in branches. During the Reporting Period, a total of 863,300 debit cards were issued to new citizens. As at the end of the Reporting Period, the accumulated number of debit cards issued amounted to 177.9344 million, representing a net increase of 4.4189 million over the end of the previous year.

The Bank enhanced financial services through digital transformation to build a service model of "finance + technology + scenarios". The Bank focused on the construction of government affairs scenarios and government APP for citizens, and provided full-link financial services from account management, bill collection, consumer lending to quick payment for the purpose of improving its service capabilities in high-frequency scenarios such as travel and payment. In specific transportation scenarios, such as the charging of new energy vehicles, public transportation, and ETC travel, the Bank provided convenient services to more than 70 million passengers in 360 urban areas across the country. The Bank focused on medical and health scenarios, optimised the payment process for medical treatment, expanded service scenarios such as community hospitals, cross provincial medical treatment, and drug purchases, and established a mobile payment platform for medical insurance, so as to provide convenient and beneficial payment services. By leveraging BoCom Smart Schools, the Bank provided comprehensive, secured, and intelligent solutions to meet the financial needs of teachers and students. We provided agency settlement services for student loans granted by China Development Bank in 11 provinces (autonomous regions and municipalities). The proportion of customers acquired through online channels during the Reporting Period accounted for 26.88%, representing an increase of 9.01 percentage points over the end of the previous year.

(4) Consumer finance

The Bank adapted to the new changes and trends in the real estate market and actively supported residents' demand for both rigid and improved housing. And the Bank Successfully completed the stock mortgage interest rate adjustment project, with the whole process of digitization to enhance customer experience. In order to serve the country's strategy of expanding domestic demand, the Bank innovated and launched new citizen exclusive consumer loans for college graduates "Elite Benefit Loan", and enhanced end-to-end digital operations to better cover diverse customer credit needs. The Bank set up a new automobile scene loan matrix process, which combined credit and mortgage, head office and branch, online and offline. As a result of the Bank's increased cooperation with car brands and dealers, the balance of new energy vehicle loans accounted for nearly 50%. The Bank promoted digital transformation in depth, relied on enterprise-level architecture to improve the efficiency of product innovation, and took data as the core driving force; furthermore, the Bank upgraded digital risk prevention and control system, supported unified risk management and differentiated operations, and promoted business accessibility, thereby greatly improving management efficiency.

(5) Private banking

By adhering to a customer-oriented philosophy, the Bank improved product structure and research services, and strengthened wealth finance features. The Bank consistently enriched its product offering by selecting high-quality products from the market and increasing the supply of low-volatility products and private equity products with multiple terms and strategies. It also launched innovative solutions, such as equity and real estate family trusts, insurance family trusts, and family trusts, to continuously enhance the unique features of its wealth management services. The Bank enhanced its asset allocation by improving the "private banking selection" quantitative model and optimising product selection to assist customers with negative market risks and reduce the fluctuation of investment portfolios. The Bank established an investment and research driving mechanism to steadfastly conduct research on the macroeconomic environment and major types of assets, fixed income products, equity investment products, precious metals and foreign exchanges, to provide support for the Group's asset management and wealth management business. The Bank proactively promoted shared prosperity by launching an innovative charitable trust ecosystem to give full play to the synergy of "finance + charity" to implement a number of charitable trust projects, such as "White Tea Charity Program", "Heartfelt Happiness", and "Let's Light Up Dreams", to form a virtuous cycle for multiple parties to participate in charity. As at the end of the Reporting Period, there were 83.6 thousand private banking customers of the Group, representing an increase of 8.54% over the end of the previous year; the assets of private banking customers under management of the Group were 1,166.4 billion, representing an increase of 7.56% over the end of the previous year.

(6) Credit card

The Bank proactively promoted consumption to benefit people's livelihoods. With the goal of "giving back to customers, brand building, and stimulating consumption", we renewed and upgraded the "Red Hot Friday" activity. We also launched a number of large-scale card-payment activities, such as the Yearly Prize, the Double-Five Shopping Festival, the 618 Shopping Festival and the Double 11 E-commerce Festival, to boost consumption. During the Reporting Period, we focused on premium customer segments to launch a variety of card products, such as new citizen credit cards and car owner credit cards. The total spending of credit cards ranked third in the industry, remaining unchanged from the beginning of the year. As at the end of the Reporting Period, among the new active users, high-quality target customers accounted for 64.86%, representing an increase of 17.93 percentage points over the end of the previous year.

As at the end of the Reporting Period, cards in force reached 71.3242 million, accounts receivables from domestic branches reached 489.606 billion, an increase by 2.50% over the end of the previous year. During the Reporting Period, the total spending of credit cards reached 2,811.639 billion, in which the volume of online payment transactions increased by 5.84% on a year-on-year basis.

(7) Pension finance

The Bank proactively served the national strategy of coping with an aging population and strived to deliver a remarkable performance in pension finance. The Bank solidly promoted its personal pension business, with the scale of personal pension accounts continuing to grow. We also integrated various government affairs with people's livelihood scenarios to continuously optimise the customer experience and improve the availability and convenience of services. A total of 159 types of products were sold on a commission basis, with all categories of product shelves available, maintaining an industry leading position in terms of the total number of products offered. The Bank continued to strengthen account management and custody services of the national social security fund, basic pension funds and enterprise (occupational) annuity, with the scale of pension custody ranking at the forefront in the industry. By serving the construction of the national inclusive elderly care service system, the Bank proactively promoted the development of its special inclusive pension refinancing business, improving financial support for elderly care service institutions, with the credit balance of the elderly care service industry increasing by 22.09% and the number of credit customers increasing by 23.08% over the end of the previous year.

Giving full play to the advantages of integrated operations, the Bank's subsidiaries proactively carried out the pension finance business, with the management scale of pension target funds ranking first in the industry, and the yield of pension wealth management products being among the leaders in the market. To leverage the inclusive protection offered by insurance products, the Bank offered the first personal pension annuity insurance product and relaxed the age limit for pension annuity products to serve the diversified pension wealth management needs of the people.

4. Interbank and Financial Market Businesses

◆ The Bank actively supports the construction of a modern financial system with Chinese characteristics. We intensively participated in the financial market development of bonds, currencies and foreign exchange within China, improved its market making and quotation abilities, deepened its business cooperation in the financial market, optimised its professional custody services, and transformed financial market products into quality services that meet the needs of economic and social development as well as the demands of all kinds of customers, constantly strengthening the capabilities to serve the real economy.

(1) Inter-bank businesses

The Bank optimised the settlement business within the financial market, ensuring its smooth operations. During the Reporting Period, the volume of the Bank's agency clearing business in the Shanghai Clearing House, the volume the agency settlement business in the Shanghai Gold Exchange, and the volume of the securities and futures settlement business were leading the market. The Bank proactively participated in the innovation of the financial market, being the first to carry out standard interest rate swap agency clearing business, and one of the first to carry out agency clearing business for foreign currency pairs in the Shanghai Clearing House. The Bank acted as clearing agent for the first foreign institutional investor participating in the central counterparty clearing business for interbank standard bond forward transactions, and processed the first agency clearing business of "Southbound Trading" for domestic investors.

The Bank enriched the scene of inter-bank cooperation in order to better meet the financial service needs of all kinds of customers. At the same time, the Bank served the construction of the local market, carried out third-party deposit service cooperation with 107 securities companies, financing and lending deposit service cooperation with 93 securities companies, and transfered service cooperation with 148 futures companies, in order to serve customers and market investment transactions in the market. In addition, the Bank strengthened its cooperation with cross-border inter-bank payment and clearing limited companies, vigorously expanded domestic and foreign participants, and helped the people to expand the global network of cross-border payment systems. actively apply the deployment of new products of the people's cross-border payment system to provide safe and efficient people's cross-border payment services for enterprises to "go out". At the end of the reporting period, the standard payers of the cross-border payment system and the number of customers ranked at the forefront of the market.

(2) Financial market businesses

Focusing on national strategies and the needs of the real economy, the Bank leveraged a combination of investment and trade instruments to provide financial support to major strategies, key regions, and weak links, for the purpose of serving high-quality economic development.

The Bank gave full play to its role as “financial stabiliser” as a leading state-owned bank, and proactively conducted market making, quotations, and trading to help shape the “Shanghai Price”. During the Reporting Period, the trading volume of in Renminbi currency market amounted to 119.42 trillion; the trading volume of foreign currency amounted to USD1.12 trillion, the trading volume of Renminbi bonds amounted to 6.33 trillion; the trading volume in interbank foreign exchange market amounted to USD4.23 trillion; the trading volume of self-operated gold amounted to 5,604 tons, maintaining its market position as an active trading bank.

Serving the construction of Shanghai as an international financial centre, the Bank was one of the first to conduct innovative businesses such as “Swap Connect”, green repurchasing, standard interest rate swap contract trading, the central counterparty clearing business of foreign currency pairs in the interbank market, and single-click trading of foreign exchange options. As one of the first batch of quotation agencies, the Bank created the “BoCom 1-5 Years Treasury Bond Basket” strategy and completed the first batch of trading.

(3) *Asset custody businesses*

The Bank met the needs of residents for wealth management and asset allocation, maintained the improvement in the capacity of high-quality custody products, and expanded the custody business of public funds. Focusing on the "three pillars" of old-age care of stabilising the current capacity, promoting growth, and optimising services, the Bank consolidated its brand advantage in the pension custody business. It also focused on expanding the customer groups of interbank cooperation and the custody market of various asset management products. By focusing on key industries encouraged and supported by national policies, such as sci-tech innovation, "specialisation, delicacy, characterisation and novelty" enterprises, the Bank improved its comprehensive service system and expanded its custody business for private equity funds. By seizing the opportunities afforded by policies in promoting connectivity of financial markets, the Bank promoted the development of cross-border custody businesses. As at the end of the Reporting Period, assets under custody reached 13.74 trillion.

5. Integrated operation

- The Group established development pattern with commercial banking business as the body, in close coordination and connection with other businesses including financial leasing, fund, wealth management, trust, insurance, overseas securities and debt-to-equity swap, so as to provide comprehensive financial services for customers.

- During the Reporting Period, net profits of subsidiaries[5] that are attributable to shareholders of the Bank amounted to 9.170 billion, the proportion of which to the Group's net profit was 9.89%. As at the end of the Reporting Period, total assets of the subsidiaries are 663.140 billion, the proportion of which to the total assets of the Group was 4.72%.

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5 Excluding Bank of Communications (Luxembourg) S.A., Bank of Communications (Brazil) Co., Ltd. and Bank of Communications (Hong Kong) Limited, same applies hereinafter.

Bank of Communications Financial Leasing Co., Ltd. As the Bank's wholly owned subsidiary, the company was set up in December 2007 with a registered capital of 20.0 billion. The main business scope includes financing leasing and operating leasing in sectors such as aviation, shipping and energy power, transportation infrastructure, equipment manufacturing and livelihood services. The company was elected as the Fifth Chief Administration Unit of China Banking Association (CBA) Financial Leasing Committee. During the Reporting Period, the company adhered to the development strategies of "Professionalism, Internationalisation, Differentiation and Characteristics", and was deeply engaged in aviation, shipping, traditional financing leasing and other businesses. As at the end of the Reporting Period, total assets were 404.664 billion. The balance of net assets was 44.881 billion, the balance of leasing assets was 355.951 billion. The company's total assets, leasing assets, operating income, net profit and other main business indicators are ranked first in the financial leasing industry. The company owned and managed 447 ships and 124.922 billion of aircraft charter assets. The company was the largest leasing company in the domestic merchant fleet. The company also had a fleet of 307 planes and had aviation leasing assets cost 101.589 billion. The company's net profit during the Reporting Period was 4.006 billion, representing a year-on-year increase of 5.02%. The company has won a total of 36 internal and external honorary awards, such as successively winning the "Best Financial Leasing Company of the Year" in the Gold Medal Award of Chinese Financial Institutions by the Financial Times.

During the Reporting Period, the company deeply served the major national strategies and continued to increase support for key strategic regions such as Beijing-Tianjin-Hebei, the Yangtze River Delta, and Guangdong-Hong Kong-Macau. As at the end of the Reporting Period, the balance of leasing assets in these three regions amounted to 104.4 billion, representing an increase of 20.76% over the end of the previous year, accounting for 47% of domestic business. Focusing on "a new development stage, philosophy and pattern, as well as high-quality development", the Bank deepened its transformation and innovation, and supported the self-development of high-level technologies. During the Reporting Period, 32.721 billion was invested in new infrastructure and new energy leasing businesses, representing a year-on-year growth of 94.41%; 22.225 billion was invested in the manufacturing industry, representing a year-on-year increase of 141.26%; 16.825 billion was invested in 89 sci-tech enterprises, representing an increase of over 100% year-on-year. During the Reporting Period, the company was the only financial leasing company selected as a sci-tech finance pilot institution by the Shanghai Office of the former CBIRC and took the lead in establishing the Shanghai Financial Leasing Service Integrated Circuit Industrial Laboratory.

Bank of Communications International Trust Co., Ltd. The company was set up in October 2007 with a registered capital of 5.765 billion, of which the Bank and Hubei Provincial Communications Investment Group Co., Ltd. contributed 85% and 15% shares respectively. The main business scope includes trust loans, equity investment trusts, securities investment trusts, credit asset securitization, corporate asset securitization, qualified domestic institutional investor (QDII), family trusts, charitable trusts, etc. During the Reporting Period, the company adheres to the principle of stability, takes the strategic goal of creating "the most trustworthy first-class trust company", accelerates the transformation and development, and deepens the synergy of the Group. As at the end of the Reporting Period, the total assets, net assets and the assets under management of the company were 17.466 billion, 16.145 billion and 563.581 billion respectively. The company's net profit during the Reporting Period was 0.771 billion, representing a decrease of 18.21% on a year-on-year basis. The company has been rated as Level A (the highest level) for eight consecutive years in the industry rating launched by the China Trustee Association.

During the Reporting Period, in accordance with the regulatory requirements of "Three-Categories" of trust management, the company made intensive efforts in the fields of asset service trusts, asset management trusts, and charity trusts to promote the development of business transformation. The "Thousand Points of Light" family service trusts were innovatively launched to promote the inclusive application of trusts. As at the end of the Reporting Period, the size of the family wealth management business reached 14.948 billion, an increase of 70.02% over the end of the previous year; the size of self-managed fixed-income standard products reached 105.859 billion, an increase of 74.39% over the end of the previous year; 13 charitable trusts were set up covering rural revitalisation, education subsidies, medical care, helping the elderly and the disabled, etc.

Bank of Communications Schroder Fund Management Co., Ltd. The company was set up in August 2005 with a registered capital of 0.2 billion. It was jointly contributed by the Bank, Schroder Investment Management Limited and China International Marine Containers (Group) Co., Ltd., with the shares accounting for 65%, 30% and 5% respectively. The primary businesses include fund raising, fund sales and asset management. The company has won the "Golden Bull Fund Management Company" award for five consecutive years, and once again secured the "grand slam" of Golden Bull, Star Fund and Golden Fund awards. As at the end of the Reporting Period, the company's total assets and net assets were 7.783 billion and 6.705 billion respectively, and the public fund under management reached 487.2 billion. Affected by the fluctuations in the market, the company's net profit during the Reporting Period was 1.201 billion, representing a decrease of 24% on a year-on-year basis.

The company continuously improved core competitiveness in investment research, forming a product system with clear risk-return characteristics in areas such as equity investment, multi-asset investment, fixed-income investment, and its investment advisory strategy, striving to develop into a first-class fund company with core competitiveness for high-quality development to help the Group deepen its wealth finance features. During the Reporting Period, the company fulfilled its institutional responsibility towards public equity funds by insisting on maintaining equity funds at a low-level and with a countercyclical layout, being the first batch of financial institutions to participate in public fund rate reform, and purchasing its own equity funds several times. In October 2023, the BoCom Schroders Ruiyuan 3-year Fixed Period Open Hybrid Securities Investment Fund of 1.668 billion was issued, becoming the first profit-giving floating rate fund established after the public fund rate reform that had raised the largest amount in the market.

BOCOM Wealth Management Co., Ltd. As a wholly-owned subsidiary of the Bank, the company was set up in June 2019 with a registered capital of 8.0 billion. It primarily issues wealth management products of fixed income, equity, commodities, financial derivatives and hybrid categories to customers. During the Reporting Period, the company adhered to the customer-centric and investor-oriented principles and adjusted the focus of product design and issuance in a timely manner. The company actively expanded consignment agencies outside the Bank, and the balance of products sold under consignment outside the Bank reached 662.536 billion, accounting for 53.80% of the balance of products. The company has preliminarily established an open and diversified omni-channel system with the Bank as the main body. As at the end of the Reporting Period, the balance of wealth management products increased by 13.45% over the end of the previous year to 1,231.417 billion; The company's total assets and net assets were 12.770 billion and 12.369 billion respectively. The company's net profit during the Reporting Period was 1.24 billion, indicating an increase of 4.39% on a year-on-year basis.

During the Reporting Period, the company adhered to the "dual drive" of assets and liabilities, constantly improving the inclusive feature of wealth management, accelerating digital transformation, keeping the risk bottom-line, and helping the Group create the features of wealth finance. During the Reporting Period, the company won several honorary awards including the Golden Bull, Golden-shell, and Golden Wealth Management awards. Its "Innovative Cases of Pension Wealth Management Services" won the "Cases of China's Banking and Insurance Services" for the first time.

BOCOM MSIG Life Insurance Company Limited. The company was set up in January 2010 with a registered capital of 5.1 billion, of which the Bank and the MS&AD Insurance Group contributed 62.50% and 37.50% shares respectively. The business scope includes life insurance, health insurance, accident insurance and reinsurance businesses of the aforementioned insurances in Shanghai as well as regions where its branches were established. As at the end of the Reporting Period, the company's total assets and net assets were 125.587 billion and 5.502 billion respectively. The company took the initiative to optimize its business structure, focusing on the development of value-based term business, achieving insurance service income of 1.449 billion, which increased by 11.97% on a year-on-year basis, and new business value of 1.287 billion, representing a year-on-year increase of 46.13%. The equity market was better than the same period last year, and investment income increased, realizing a net profit of 292 million during the reporting period, an increase of 958 million year-on-year.

During the Reporting Period, the company gave full play to the economic "shock absorber" and "social stabiliser" functions of the insurance industry. With a synergy effect within the Group, it further created the business characteristics of "inclusiveness, pensions and wealth" to meet the insurance needs of all customers. In terms of inclusive finance, the company actively participated in the "Shanghai additional commercial medical insurance" and was awarded the Innovative Case of Serving New Citizens by China Banking and Insurance News. In terms of pension finance, it developed and launched individual pension insurance products, actively integrating them into the Group's strategy of pension finance. In terms of wealth finance, it focused on the wealth protection and inheritance needs of high net-worth customers, starting with insurance premium and insurance premium trusts to meet the one-stop service needs of customers within the Group.

BOCOM Financial Asset Investment Co., Ltd. As a wholly-owned subsidiary of the Bank, it was set up in December 2017 with a registered capital of 15.0 billion. As one of the first pilot banks to implement debt-to-equity swap as determined by the State Council, it is mainly engaged in debt-to-equity swap and supporting services. During the Reporting Period, the company made efforts to develop the main business of market-oriented debt-to-equity swap, and actively reduced leverage ratio and controlled risks for the real economy. Its net incremental investment of the year was 14.298 billion. During the reporting period, the company realized a net profit of 3.125 billion, a year-on-year increase of 178.04%. At the end of the reporting period, the company's total assets amounted to 65.074 billion and net assets amounted to 23.613 billion. At the end of the reporting period, the company filed 27 funds through its subsidiary, BOCOM Capital Management Co., Ltd. with a contribution scale of 18.024 billion, an increase of 116.87%, which further strengthened the momentum of the development of the equity investment business.

During the Reporting Period, the company adhered to its original responsibility of serving the real economy. Guided by the "14th Five-Year Plan" of the Bank of Communications, it focused on sci-tech finance, green finance, support for the private economy, and other key fields to take its advantage of equity investment and improve its comprehensive financial service capabilities.

BOCOM International Holdings Company Limited. The company was set up in June 1998 (formerly known as Communications Securities Co., Ltd. It changed its name to BOCOM International Holdings Company Limited in May 2007). It was listed on the main board of Hong Kong Stock Exchange on 19 May 2017. The main businesses include securities brokerage and margin financing, corporate financing and underwriting, asset management and consulting, investment and loan. As at the end of the Reporting Period, the Bank contributed 73.14% shares of the company. During the reporting period, the company focused its business on key national regions such as Beijing-Tianjin-Hebei, Yangtze River Delta, the Greater Bay Area and Hainan Free Trade Port, actively responded to market shocks, endeavored to reduce operating losses and promoted the transformation of its operating structure. At the end of the reporting period, the company had total assets of HKD18.211 billion and net assets of HKD1.797 billion. During the reporting period, the company's loss decreased year-on-year, with a net loss of HKD1.470 billion.

China BoCom Insurance Co., Ltd. As a wholly-owned subsidiary of the Bank, it was set up in November 2000 with a registered capital of HKD0.4 billion. The main business includes the operation of 17 types of general insurances approved by the Insurance Authority of Hong Kong. During the Reporting Period, A.M. Best, an international professional rating agency in the insurance industry, assigned the company with a financial strength rating of "A-" (Excellent) and a long-term issuer credit rating of "A-" (Excellent), and recognised both items with a "Stable" outlook. At the end of the reporting period, the company had total assets of HKD1.271 billion and net assets of HKD554 million. During the reporting period, the company realized a net profit of HKD2.63 million, representing a year-on-year increase of 121.16%;

During the Reporting Period, the company promoted the upgrading and innovation of insurance products to continuously optimise the customer experience and meet customers' insurance demands. The company's gross premiums during the Reporting Period increased by 7.25% on a year-on-year basis to HKD300 million, reaching a record high; the premium profits before expenditure were HKD28.67 million, up 53.88% year-on-year; and the net compensation rate was 30.86%, all of which were maintained at a favourable level.

6. Global Service Capabilities

- The Group has formed an offshore operating network covering major international financial centers and spanning five continents, with 23 offshore branches (subsidiaries) and representative offices worldwide and 69 offshore operating outlets. During the reporting period, offshore banking institutions realized net profit of 5,318 million, accounting for 5.74% of the Group's net profit. At the end of the reporting period, the total assets of overseas banking institutions amounted to 1,249.946 billion, accounting for 8.89% of the Group's total assets.

- The Bank strengthened the convenience of trade and the construction of CNY cross-border scenarios, while enhancing financial services in the field of foreign investment and foreign trade. During the Reporting period, the receipt and payment of cross-border Renminbi increased by 23.30% year-on-year. As at the end of the Reporting Period, cross-border Renminbi trade financing balance increased by 91.92% over the end of the previous year.

(1) Internationalisation development

The Group actively responded to changes in internal and external situations, continuously optimized its development structure and consolidated its advantages in globalized development. Actively serving the country's new development pattern of opening up to the outside world at a high level and providing financial services for Chinese enterprises going global. To build financial bridges connecting internal and external markets, and to provide financial protection for the smooth flow of the domestic and international "double cycle". We will guard the bottom line of risk and safety, strengthen dynamic monitoring and risk pre-study and predetermination, and build the foundation of sustainable and high-quality development of offshore banks.

(2) International settlement and trade financing

The Bank actively supported the stabilisation of foreign investment and foreign trade. It built Silk Road e-commerce/cross-border e-commerce platforms and a direct linking market procurement platform to support small and micro merchants carry out export collection settlement based on electronic transaction information. There were 23 projects under the new forms of foreign trade, with a business volume of 48.592 billion, up 73.88% year on year. The Bank launched a shipping finance integrated service plan, a high-quality development financial service platform for Sino-Europe trains, and an electronic bill of lading finance service plan, included small currency businesses such as Indonesian rupiahs, Thai baht, UAE dirhams, Saudi riyals, South African rand, and Mexican pesos, and iteratively upgraded the digital exchange rate risk-prevention service system to keep improving the quality and efficiency of financial services for foreign trade enterprises. The Bank actively connected with PBOC, SAFE and other government-regulatory platforms, increased technology enablement, promoted more convenient receipt of fees and payment of service trade and capital account, and steadily carried out new forms of offshore international trade. During the Reporting Period, international settlements reached USD509.653 billion. As at the end of the Reporting Period, cross-border trade financing amounted to USD65.991 billion, in which the cross-border Renminbi trade financing balance increased by 91.92% over the end of the previous year.

(3) Overseas service network

The layout of offshore service network has been progressing steadily. As at the end of the reporting period, the Group had 23 overseas branches and representative offices in Hong Kong, New York, London, Singapore, Tokyo, Frankfurt, Luxembourg and Sydney, with 69 overseas operating outlets, providing customers with comprehensive financial services such as deposits, loans, international settlements, trade finance and foreign exchange, etc.; it had established an overseas service network with the head offices of 1,032 banks in 131 countries and regions, and opened 220 service accounts for 93 overseas Renminbi participating banks in 29 countries and regions, and opened 113 foreign currency clearing accounts in 28 currencies with 66 banks in 31 countries and regions.

(4) Cross-border RMB transactions

The Bank proactively served cross-border Renminbi settlement of oil and gas trade, providing financial services for the first Renminbi transaction of the purchase of imported liquefied natural gas settled as well as the first digital Renminbi cross-border payment of oil and gas trade in China. The Bank continued to promote the construction of cross-border Renminbi payment scenarios, launching innovative functions such as full amount of remittance and transfer, and account visualisation. The number of customers for online standard transmit products ranked first in the market. In Shanghai, the Bank built an unique FTZ offshore bond integrated financial services system of "investor, underwriter, trustee, the clearing bank of CGSDTC, and the local clearing bank", with the clearing business ranking first in the market. As at the end of the Reporting Period, the cross-border Renminbi for received and paid amounts of domestic banking institutions reached 1.9 trillion, representing a year-on-year increase of 23.30%.

(5) Offshore services

Deepen the integrated development of offshore and onshore business and the integrated operation of non-resident accounts, and fully tap the business potential of the Yangtze River Delta integration and the new Lingang area of the Shanghai Free Trade Zone. At the end of the reporting period, the asset balance of offshore business amounted to USD14.440 billion.

BoCom – HSBC Strategic Cooperation

During the Reporting Period, following the principles of ‘equal priority’ and ‘complementary advantage’, the Bank and HSBC worked together in promoting cooperation across various fields under the framework of the strategic cooperation mechanism.

The senior management of both parties communicate closely. They restarted face-to-face offline communication. The Bank and HSBC held two top-level meetings at the Chairman/Group Chairman level, maintained the dialogue mechanism for the President/Group CEO, conducted a summit meeting and regular meetings of the Executive Chairman to communicate significant matters of business development in a timely manner, and determined the key areas and objectives of cooperation.

The share of cooperation continues to increase. The two sides steadily promoted cooperation in various business areas under the unified framework of “1+1 Global Financial Services” in accordance with market-oriented principles. The two sides have joined hands to provide syndicated loans to “going out” Chinese enterprises, continue to promote cross-border Renminbi settlement, interbank bond trading and other business cooperation, as well as promote fund distribution cooperation in a steadily increasing scale. Both sides continued to maintain their advantages in overseas cooperation. During the reporting period, the amount of bond underwriting and syndicated loans in Hong Kong grew by 18% and 32% year-on-year respectively.

Both parties shared experience with a practical approach. Under the framework of “Resources and Experience Sharing (RES)”, both parties focused on strategy development, and reform and development, amongst other key topics, to carry out mutual training and exchange of business experience. During the Reporting Period, both sides resumed Hong Kong exchange projects, and promoted in-depth exchanges around trade finance, sci-tech finance, and green finance by organising three key training sessions.

2024 marks the 20th anniversary of BoCom-HSBC Strategic Cooperation. The Bank will work with HSBC through close communication and collaboration to further expand cooperation in key areas and key fields around the common strategic priorities of both parties to produce more fruitful results.

7. *Channel construction*

- Promoting digital transformation from the customers' perspective. The Bank constantly improved the service level of its online financial platform by using financial technologies, focusing on government affairs, medical care, transportation, education, and other key scenarios. It promoted cross-channel collaborative operations and services to meet the multi-level financial service needs of customers.

(1) Corporate online banking and corporate mobile banking

Corporate Online Banking Ver. 6.0 and Corporate Mobile Banking Ver. 2.0 were fully launched, optimising service processes with an Internet mindset. The Bank built a comprehensive service system of "online + offline" and "artificial + intelligent" for customers to expand our online service capabilities, supporting the high-quality development of corporate banking. As at the end of the Reporting Period, the number of contracted customers for corporate online banking (Bank-corporate direct connection) increased by 12.95% over the end of the previous year, and the annual cumulative transaction volume saw an increase of 6.77% on a year-on-year basis. The number of contracted customers of corporate mobile banking increased by 15.04% over the end of the previous year, and the annual cumulative transaction volume saw an increase of 20.70% on a year-on-year basis.

(2) Personal mobile banking

Holding the philosophy of "finance for the people, service for entities, and technologies for social good" and the theme of "understanding wealth, enjoying life", the Bank launched Personal Mobile Banking Ver. 8.0. With the help of fintech, it upgraded the functions for investment selection, post-investment wealth management, as well as featured-scenario services such as automobile, housing, consumption, and government affairs, creating an integrated service model for account managers, customer service managers, remote video seating, and digital humans. The Bank satisfied the multi-level financial service needs of customers as well as the pursuit of a better life experience, and created a more heart-warming personal mobile banking service. The online zone was convenient for customers to exchange nearly 1,000 non-financial items such as physical goods and membership of music and video applications for the purpose of further enhancing customer loyalty. As at the end of the Reporting Period, the number of monthly active users (MAU) for personal mobile banking was 49.1048 million, an increase of 7.96% over the end of the previous year.

(3) Go Pay APP

BoCom Credit Card Official APP Ver. 7.0 was released to create a "heart-warming" interest-free instalment service. Along with consumption trends, it gathers diversified e-commerce platforms covering computers and digital products, household goods, food and beverages, amongst others, to drive consumption. The App continuously improves the user experience through the mode of acquiring customers with services, achieving an online business diversion rate of 98.09%. As at the end of the Reporting Period, the cumulative number of registered customers of the APP amounted to 77.4025 million and the number of monthly active users (MAU) was 25.7074. During the Reporting Period, BoCom Credit Card received the International Data Corporation (IDC) 2023 China Financial Industry Technology Application Scenario Innovation Award.

(4) Open Banking

The Bank continued to enhance the opening of services and the expansion of scenarios, further integrating financial services into people's livelihoods and the real economy in key areas. As at the end of the reporting Period, 4,676 interfaces were launched for open banking with a cumulative 4.1 billion calls. During the Reporting Period, new retail customers acquired via open banking increased by 34.57% on a year-on-year basis to 1.0542 million. 211.075 billion financing amount was collected through online chain financial service of open banking, up 85.45% year on year.

(5) BOCOM On-cloud

The Bank continuously promoted its brand of "BOCOM On-cloud" and innovated the application of audio and video technologies. Screen-to-screen online services enabled the development of online institutions, employees, services, and products, breaking through the physical and time limits of the traditional banking business. The Bank provided an innovative model of new banking services and improved the availability and satisfaction level of financial services. During the Reporting Period, the number of services provided by BOCOM On-cloud remote video outlet amounted to 600 thousand, a year-on-year growth of over 10 times.

The Bank also improved the featured services of new media channels such as "BoCom" WeChat Mini Program, "BoCom Loans" WeChat Mini Program and Cloud BoCom to strengthen cross-channel collaboration. As at the end of the Reporting Period, customers served by "BoCom" WeChat Mini Program increased by 53.91% over the end of the previous year to 36.4187 million; customers served by "BoCom Loans" WeChat Mini Program increased by 130.77% over the end of the previous year to 3.8177 million; customers served by Cloud BoCom amounted to 7.4171 million, an increase of 34.78% over the end of last year.

8. FinTech and Digital Transformation

- To deliver outstanding performance in digital finance, the Bank focused on new business drivers, new digital infrastructure, and a new governance model to deepen FinTech innovation, leverage data value, and empower the development of key financial areas such as technology, green, inclusiveness, and old-age care. The dual-driving forces of digital technology and data elements enable our customer-oriented financial services to be more precise, secure, and efficient.

- During the reporting period, the Bank invested 12.027 billion in fintech, representing a year-on-year increase of 3.41%; it was 5.64% of operating revenue, and increased by 0.38 percentage point year-on-year. At the end of the reporting period, the Group had 7,814 fintech employees, representing an increase of 33.30% from the end of the previous year, and accounting for 8.29% of the Group's total number of employees, which represents an increase of 1.91 percentage points from the end of the previous year.

(1) Intensively developing the GBC ecosystem to integrate into the overall construction of the digital economy and the digital society

In terms of empowering digital government affairs, the Bank actively participated in the development of digital Xiong'an, GBA Connect, and "Electronic Fence Account", amongst others. BOCOM-Government Connect has fully covered the outlets in the Yangtze River Delta, accelerating the replication and promotion throughout the entire country.

In terms of empowering the digital industry, industrial chain finance launched nearly 40 core projects, covering areas such as large-scale smart cars and clean energy, to serve the advanced manufacturing industry. Assembled by product factories, the Bank accelerated the launch of innovative products for inclusive scenarios, such as loans pledged with red-type property ownership certificates in Jilin, the New Hope Breeding Loan, the Shennong e-Loan and the JingCai Loan, to rapidly meet market demand. The Bank innovatively launched key products such as Interbank Cloud and BoCom Jianxiong to provide a range of integrated solutions to support enterprises' digital transformation.

In terms of empowering the digitalisation of people's livelihoods, the Bank launched products such as the Talent Loan and the Employee Loan to meet the financial needs of new citizens, promoting the services to meet lower-tier markets. The Bank has built a robust platform for the personal pension finance business to enrich pension product supplies.

(2) *Building a robust digital platform foundation to allow for more agile and efficient sci-tech support and security protection*

The Bank pushed forward the construction of enterprise-level structure and middle offices in an integrated manner. The marketing middle office reached over 35 million customers a day; the risk control middle office loaded over 260 models; and the operating middle office covered more than 1,600 types of tasks. The Bank speeded up the construction of the enterprise-level product management system, and sorted out product catalogues, to promote agile and comprehensive product innovation.

The Group expedited the improvement of the cyber-security system, and continued to enhance its cyber-defence capabilities. The layout of multiple centres in different locations has been gradually improved. Pujiang Xintongcheng Data Centre had started its official operations, becoming the first T4-certified financial data centre in China, and the Group has commenced construction of Remote Data Centres in Horinger and Gui'an. The layout of a bank-wide cloud platform was continuously optimised and the Group's computational capabilities keep being improved. A multi-architecture cloud platform with full-stack innovation won first prize in the FinTech Development Award by the PBOC.

(3) *Promoting standardised data management to enhance data support capabilities*

With the Bank's continuous efforts to enhance data governance, further improve the enterprise-level data standard system, and promote the effective operation of the data quality management system, there was a steady improvement in data quality. The enterprise-level data middle office enabled the fast output of data services such as customer labels, business indicators, model calculations and knowledge maps, consolidating the data foundations. Data timeliness of the management cockpit was further improved to strongly support the digital business decisions of organisations at all levels. The Bank upgraded the data analysis platform and report portal to respond more quickly to data requirements for business analysis as well as the one-stop query of data and calculation standards.

By following data security measures, the Bank formed a data security system covering areas such as data classification and rating, rights-holder impact assessment, travel and outbound departures, and contingency management to promote the refined and streamlined security control in key areas of the data life cycle. In 2023, the Group won the "Level 3 Accreditation of External Data Management Capability" from CAICT (the highest), as well as the "Data Governance Best Practice Award" from DAMA for the third consecutive year.

(4) Leveraging sci-tech to drive enhancement in digital and intelligent business management

The Bank kept promoting the further application of AI in customer service, product promotion, risk prevention and control, and other scenarios. Over 70,000 suspicious transactions were accurately intercepted by the anti-fraud integrated platform, involving more than 1.4 billion. The interests and preferences of individual customers were also explored. The cumulative turnover of various financial models and strategies reached nearly 400 billion, 16 times higher than the overall turnover rate. The Bank expedited the construction of working platforms for its employees, while the working platforms for account managers were continuously improved on in terms of their data timeliness and their coverage of mobile functions, supporting employees and the Bank to closely align with their customers. The value management platform completed bank-wide promotion to support management refine value analysis and decision-making. The Bank actively explored the application of big models in office assistants, customer Q&As, and other scenarios to promote the cultivation and development of new quality production forces.

(5) Strengthening top-level design to further improve the sci-tech governance level

The *Bank of Communications Digital Finance Action Plan (2024-2025)* was formulated to closely align with national strategic requirements. The Bank strengthened the assembly of talent teams, with the R&D branch team beginning to take shape, and the sci-tech team seeing enhancements in quantity and quality. The Bank kept motivating an innovative spirit by speeding up the construction of an innovative ecology comprising of industries, academia and research, setting up 5 laboratories including AI, cyber-security, innovation in computing, user experience, and digital renminbi (Suzhou), with the initiative winning the first prize of the FinTech Development Award by the PBOC for 3 consecutive years.

(III) Risk Management

The Board of Directors of the Bank established the overall risk appetite of "Stability, Balance, Compliance and innovation" for the Bank and further set specific indicators of risk limits against various risks including credit, market, operation, liquidity, interest rate of banking book, information technology and country to exercise strict control over various risk types. During the reporting period, the Group consistently adhered to the bottom-line thinking, integrated development and safety, solidly promoted the work of the Year of Asset Quality Consolidation, strengthened the unified risk management of the Group, enhanced the comprehensive risk management capability, continuously promoted the digital transformation of risk management, and promoted the high-quality development of the entire Bank with high-quality risk management.

1. Risk Management Framework

The Board of Directors of the Bank assumed the ultimate responsibility, served the highest function of decision-making and monitored the Bank's risk condition through the subordinate Risk Management and Related Party Transaction Control Committee. The Bank's senior management established the Comprehensive Risk Management and Internal Control Committee, as well as two business review committees namely the Credit and Investment Review Committee and the Risk Asset Review Committee. The business review committees were guided by and reported regularly to the Comprehensive Risk Management and Internal Control Committee. Each provincial and directly managed branch, overseas branch and subsidiary established the Comprehensive Risk Management and Internal Control Committee accordingly based on the aforementioned framework, which served as the main platform to study the prevention and control of systematic and regional risks and decision-making risk management on major issues, ensuring that the comprehensive risk management system had been implemented throughout the Group.

2. Credit Risk Management

During the Reporting Period, the Bank continued to strengthen centralised credit risk management. The Bank actively served the real economy, optimised the structure of credit assets, vigorously developed the green finance, and adopted the structural monetary policy tools (such as the special refinancing) to support key areas such as carbon emission reduction, clean and efficient use of coal, transportation and logistics, scientific and technological innovation, inclusive pensions, equipment renovation, and "guaranteed delivery of houses". We continuously optimised the framework of its credit granting policy, proactively implemented major national strategies and regulatory requirements, closely tracked market changes, and expanded the coverage of special strategic guidance on the basis of the outline of the credit granting and risk policy, the guidelines on industry investment, and the "one policy for one bank" principle. The Bank continued to improve the degree of online and automation in the credit approval process, completed docking with the unified registration and publicity system for the financing of movable property in the Credit Information Centre of the PBOC, and started the promotion of online real estate mortgage registration throughout China, enabling the "cross-provincial registration" of mortgage loans in many cities across the country. Risk classification became more sophisticated as the asset quality steadily improved.

The Bank strengthened risk identification and prompted risk disposal. The business accountability mechanism for granting credit to key customers was continuously enhanced, with the approval procedures for the credit business being continuously strengthened; the post-loan (post-investment) management, risk monitoring and early-warning measures were continuously enhanced, with the purpose of upgrading the system tools. Credit risk screening and management in key areas was continuously strengthened. The Bank continued intensification of the collection of non-performing assets, focusing on key areas to bring into play the professional disposal capabilities of Head Office to steadily and orderly dispose of the risk exposures in significant items. The direct operations and management mechanism for asset preservation was remarkably effective. During the Reporting Period, the disposal of non-performing loans reached 64.70 billion, of which the substantial recovery amount was 33.33 billion.

The Bank adheres to the regulatory requirements and maintains strict asset risk classification standards. The foundation of asset quality has been continuously strengthened and the level of asset quality has improved steadily. At the end of the Reporting Period, the Group's non-performing loan balance amounted to 105,688 million and the non-performing loan ratio was 1.33%, representing an increase of 7,162 million and a decrease of 0.02 percentage point respectively compared with the end of the previous year; and the percentage of overdue loan balance increased compared with the beginning of the year. The Group adopts prudent classification criteria for overdue loans. Domestic corporate loans overdue for more than 60 days have been included in non-performing loans and all loans overdue for more than 90 days have been included in non-performing loans, with loans overdue for more than 90 days accounting for 64.71% of non-performing loans.

Distribution of loans by five categories of loan classification

(in millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022		31 December 2021	
	Amount	**Proportion (%)**	Amount	Proportion (%)	Amount	Proportion (%)
Pass loan	**7,731,141**	**97.16**	7,091,355	97.21	6,374,975	97.17
Special mention loan	**120,256**	**1.51**	105,084	1.44	88,629	1.35
Total performing loan balance	**7,851,397**	**98.67**	7,196,439	98.65	6,463,604	98.52
Sub-standard loan	**28,523**	**0.36**	40,465	0.55	52,960	0.81
Doubtful loan	**32,383**	**0.41**	33,257	0.46	25,978	0.40
Loss loan	**44,782**	**0.56**	24,804	0.34	17,858	0.27
Total non-performing loan balance	**105,688**	**1.33**	98,526	1.35	96,796	1.48
Total	**7,957,085**	**100.00**	7,294,965	100.00	6,560,400	100.00

Distribution of special mention loans and overdue loans by business type

(in millions of RMB unless otherwise stated)

	31 December 2023				31 December 2022			
	Special mention loan balance	Special mention loan ratio (%)	Overdue loan balance	Overdue loan ratio (%)	Special mention loan balance	Special mention loan ratio (%)	Overdue loan balance	Overdue loan ratio (%)
Corporate loans	**89,192**	**1.72**	**62,273**	**1.20**	84,584	1.80	46,309	0.98
Personal loans	**30,939**	**1.25**	**47,832**	**1.93**	20,499	0.87	38,483	1.63
Mortgage	**9,875**	**0.68**	**12,236**	**0.84**	8,051	0.53	13,023	0.86
Credit cards	**18,673**	**3.81**	**28,061**	**5.73**	10,808	2.26	20,122	4.21
Personal business loans	**903**	**0.26**	**3,456**	**1.01**	436	0.18	1,985	0.83
Others	**1,488**	**0.83**	**4,079**	**2.28**	1,204	0.88	3,353	2.45
Discounted bills	**125**	**0.04**	**16**	**0.01**	1	0.00	36	0.02
Total	**120,256**	**1.51**	**110,121**	**1.38**	105,084	1.44	84,828	1.16

The balance of corporate overdue loan was 62.273 billion, representing an increase of 15.964 billion over the end of the previous year. The overdue ratio was 1.20%, representing an increase of 0.22 percentage point over the end of the previous year. The balance of personal overdue loan was 47.832 billion, representing an increase of 9.349 billion over the end of the previous year. The overdue loan ratio was 1.93%, representing an increase of 0.30 percentage point over the end of the previous year.

Distribution of loans and non-performing loans by business type

(in millions of RMB unless otherwise stated)

	31 December 2023				31 December 2022			
	Loans	Proportion (%)	Non-performing loan	Non-performing loan ratio (%)	Loans	Proportion (%)	Non-performing loan	Non-performing loan ratio (%)
Corporate loans	**5,179,533**	**65.09**	**85,549**	**1.65**	4,711,353	64.58	78,487	1.67
Personal loans	**2,473,100**	**31.08**	**20,123**	**0.81**	2,365,317	32.43	20,003	0.85
Mortgage	**1,462,634**	**18.39**	**5,462**	**0.37**	1,512,648	20.74	6,731	0.44
Credit cards	**489,725**	**6.15**	**9,385**	**1.92**	477,746	6.55	9,310	1.95
Personal business	**342,198**	**4.30**	**2,685**	**0.78**	239,271	3.28	1,716	0.72
Others	**178,543**	**2.24**	**2,591**	**1.45**	135,652	1.86	2,246	1.66
Discounted bills	**304,452**	**3.83**	**16**	**0.01**	218,295	2.99	36	0.02
Total	**7,957,085**	**100.00**	**105,688**	**1.33**	7,294,965	100.00	98,526	1.35

Distribution of loans and non-performing loans by industry

(in millions of RMB unless otherwise stated)

	31 December 2023				31 December 2022			
	Loans	Proportion (%)	Non-performing loan	Non-performing loan ratio (%)	Loans	Proportion (%)	Non-performing loan	Non-performing loan ratio (%)
Corporate loans	**5,179,533**	**65.09**	**85,549**	**1.65**	4,711,353	64.58	78,487	1.67
Transportation, storage and postal services	**905,624**	**11.38**	**5,460**	**0.60**	823,156	11.28	5,645	0.69
Manufacturing	**954,586**	**12.00**	**18,753**	**1.96**	836,532	11.46	21,934	2.62
Leasing and commercial services	**866,601**	**10.89**	**6,030**	**0.70**	729,818	10.00	9,079	1.24
Real estate	**489,080**	**6.15**	**24,403**	**4.99**	519,857	7.13	14,560	2.80
Water conservancy, environmental and other public facilities	**466,137**	**5.86**	**4,173**	**0.90**	429,222	5.88	5,343	1.24
Production and supply of electric power, heat, gas and water	**391,742**	**4.92**	**3,098**	**0.79**	342,617	4.70	3,237	0.94
Wholesale and retail trade	**292,168**	**3.67**	**7,883**	**2.70**	254,447	3.49	3,911	1.54
Construction	**188,716**	**2.37**	**2,639**	**1.40**	176,696	2.42	2,000	1.13
Finance	**159,183**	**2.00**	**1,870**	**1.17**	148,747	2.04	1,874	1.26
Education, science, culture and public health	**141,254**	**1.78**	**4,116**	**2.91**	128,762	1.77	2,861	2.22
Mining	**116,467**	**1.46**	**1,071**	**0.92**	118,246	1.62	2,162	1.83
Others	**88,640**	**1.11**	**437**	**0.49**	94,839	1.30	1,012	1.07
Information transmission, software and information technology services	**81,176**	**1.02**	**1,164**	**1.43**	68,246	0.94	648	0.95
Accommodation and catering	**38,159**	**0.48**	**4,452**	**11.67**	40,168	0.55	4,221	10.51
Personal loans	**2,473,100**	**31.08**	**20,123**	**0.81**	2,365,317	32.43	20,003	0.85
Discounted bills	**304,452**	**3.83**	**16**	**0.01**	218,295	2.99	36	0.02
Total	**7,957,085**	**100.00**	**105,688**	**1.33**	7,294,965	100.00	98,526	1.35

The Group continued to strengthen its financing support for the real economy, with manufacturing industry loans increasing by 118.054 billion, or 14.11%, compared with the end of last year; transportation, storage and postal services industry loans increasing by 82.468 billion, or 10.02%, compared with the end of last year; leasing and commercial services industry loans increasing by 136.783 billion, or 18.74%, compared with the end of last year; water conservancy, environmental and other public facilities industry loans increasing by 36.915 billion, or 8.60%, from the end of the previous year; and electric power, heat, gas and water production and supply industry loans increasing by 49.125 billion, or 14.34%, from the end of the previous year.

Distribution of loans and non-performing loans by region

(in millions of RMB unless otherwise stated)

	31 December 2023				31 December 2022			
	Loans	**Proportion (%)**	**Non-performing loan**	**Non-performing loan ratio (%)**	Loans	Proportion (%)	Non-performing loan	Non-performing loan ratio (%)
Yangtze River Delta	**2,226,422**	**27.98**	**20,582**	**0.92**	1,999,175	27.40	21,107	1.06
Pearl River Delta	**1,051,204**	**13.21**	**12,214**	**1.16**	978,749	13.42	8,403	0.86
Bohai Rim Economic Zone	**1,288,078**	**16.19**	**16,472**	**1.28**	1,137,282	15.59	10,707	0.94
Central China	**1,290,880**	**16.22**	**13,311**	**1.03**	1,196,075	16.40	14,520	1.21
Western China	**947,510**	**11.91**	**9,443**	**1.00**	875,476	12.00	9,333	1.07
North Eastern China	**265,215**	**3.33**	**11,221**	**4.23**	250,190	3.43	13,595	5.43
Overseas	**359,446**	**4.52**	**13,053**	**3.63**	376,277	5.16	11,551	3.07
Head office	**528,330**	**6.64**	**9,392**	**1.78**	481,741	6.60	9,310	1.93
Total	**7,957,085**	**100.00**	**105,688**	**1.33**	7,294,965	100.00	98,526	1.35

Note: Head Office included the Pacific Credit Card Centre.

The Group implemented differentiated policies of "one policy for one bank" to make dynamic adjustments to business authorisation based on regional economic traits.

Overdue loans and advances

(in millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022	
Overdue Period	**Amount**	**Proportion (%)**	Amount	Proportion (%)
Within 3 months	**41,727**	**0.52**	27,737	0.38
3 months to 1 year	**34,927**	**0.44**	33,480	0.46
1 to 3 years	**26,820**	**0.34**	19,083	0.26
Over 3 years	**6,647**	**0.08**	4,528	0.06
Total	**110,121**	**1.38**	84,828	1.16

As at the end of the Reporting Period, the balance of overdue loans was 110.121 billion, representing an increase of 25.293 billion over the end of the previous year. The overdue ratio was 1.38%, representing an increase of 0.22 percentage point over the end of the previous year. The balance of loans overdue for over 90 days was 68.394 billion, representing an increase of 11.303 billion over the end of the previous year.

Restructured loans

(in millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022	
	Amount	**Proportion (%)**	Amount	Proportion (%)
Restructured loans	**40,836**	**0.51**	13,660	0.19
Including: Restructured loans overdue over three months	**6,306**	**0.08**	1,533	0.02

Note: The calculation standard of restructured loans was adjusted. They are calculated in accordance with the relevant provisions of the *Measures on the Risk Categorisation of Commercial Banks' Financial Assets* (China Banking and Insurance Regulatory Commission of the PRC and People's Bank of China Order No. 1 of [2023]) as at the end of 2023.

Loan migration rates

(%)	**2023**	2022	2021
Pass loan migration rate	**1.70**	1.89	1.86
Special mention loan migration rate	**24.12**	26.55	45.72
Sub-standard loan migration rate	**57.06**	52.87	29.61
Doubtful loan migration rate	**58.63**	26.61	17.42

Note: Data calculated pursuant to *the Notice on the Distribution of the Regulatory Indicator and Calculation Formula for Off-Field Investigation* issued by the former CBIRC.

Credit risk concentration

As at the end of the Reporting Period, the total loans to the largest single customer of the Group accounted for 5.33% of the Group's net capital, and the total loans to top 10 customers accounted for 20.42% of the Group's net capital. The situation of loans to top 10 single customers as at the end of the Reporting Period is shown below.

(in millions of RMB unless otherwise stated)

	31 December 2023		
	Industry	**Amount**	**Percentage of total loans (%)**
Customer A	Production and supply of electric power, heat, gas and water	72,000	0.90
Customer B	Production and supply of electric power, heat, gas and water	39,500	0.50
Customer C	Transportation, storage and postal services	33,813	0.42
Customer D	Leasing and commercial services	33,000	0.41
Customer E	Real estate	20,646	0.26
Customer F	Transportation, storage and postal services	16,472	0.21
Customer G	Transportation, storage and postal services	16,015	0.20
Customer H	Transportation, storage and postal services	15,037	0.19
Customer I	Production and supply of electric power, heat, gas and water	14,900	0.19
Customer J	Manufacturing	14,528	0.18
Total of Top 10 Customers		275,911	3.47

3. Market Risk Management

Market risk refers to the risk of losses of on- and off-balance sheet businesses of the Bank arising from unfavourable changes in interest rate, exchange rate, commodity price, share price and others. Interest rate risk and exchange rate risk were the major market risks encountered by the Group.

During the Reporting Period, the Group kept improving the market risk management system, improved management policies and procedures, optimised the risk management system, strengthened product management, optimised limit setting, and improved derivatives business risk management. The Group closely monitored the financial market fluctuations, strengthened market research and judgement and risks monitoring and forewarning, enhanced the risk assessment and inspection, and strictly controlled various market risk limits to continuously improve the level of market risk management.

4. Liquidity Risk Management

Liquidity risk is the risk that occurs when the commercial bank cannot obtain sufficient funds in time and at a reasonable cost to repay debts when they are due, fulfil other payment obligations, or meet other funding needs in the normal course of business. The main factors affecting the liquidity risk include early withdrawal by deposit customers, deferred repayment by loan customers, mismatch of asset and liability structure, difficulty in asset realisation, decline in financing capability, etc.

The Group regularly launched stress tests for liquidity risk, in which various factors which may affect liquidity situation were given full consideration and stress scenarios were appropriately set up. The results of stress tests showed that the Bank's liquidity risk was within a controllable range under various stress scenarios.

As at the end of the Reporting Period, the table below shows the liquidity ratio indicator of the Group:

	Standard value	**31 December 2023**	31 December 2022	31 December 2021
Liquidity ratios (%)	≥25	**64.92**	69.76	67.11

Note: Calculated according to the regulatory standard of the NAFR.

The daily average liquidity coverage ratio of the Group during the fourth quarter of 2023 was 128.50% (the daily average within the quarter was the arithmetic average of daily data of the quarter, the number of daily data required was 92), The ratio decreased by 4.40 percentage points over the previous quarter, which was mainly due to the decrease in qualified high-quality liquid assets.

In the third quarter of 2023, the quarter-end net stable funding ratio of the Group was 110.59%, representing an increase of 0.71 percentage point over the previous quarter, which was mainly due to the decrease of loans and securities. In the fourth quarter of 2023, the quarter-end net stable funding ratio was 113.01%, representing an increase of 2.42 percentage points over the previous quarter, which was mainly due to the increase in financing from financial institutions.

5. Other Risk Management

The Group's risk management also includes operational risk management, legal compliance and anti-money laundering, reputation risk management, cross-industry, cross-border and by-country risk management, management of large exposure risk, climate and environmental risk management.

(IV) Outlook

In 2024, the external environment will be more complicated, tough and uncertain. But overall, China's economy will continue to improve and its long-term positive outlook remains unchanged. With increasing forces supporting the high-quality development of the economy, investment will continue to grow, consumption will steadily improve, and foreign trade will be more resilient. Banks will see more development opportunities.

2024 is a critical year for the implementation of the "14th Five-Year Plan" of the Bank. The Group will adhere to the general principle of seeking progress while maintaining stability, implement the new development concept in a complete, accurate and comprehensive manner. The Group will support the new development model, make significant efforts in the "five priorities" of finance, serve the real economy and financial stability, as well as accelerate the building of a world-class banking group with distinctive strengths. The Group will focus on the following areas:

Building up strategic strength. The Group will increase the coverage of the Inclusive finance to meet the financial needs of the people and the diversification of the real economy; enrich the scenarios of the trade finance and efficiently serve the new development pattern of "Dual Circulation". For technology finance, the Group will effectively promote self-reliance and self-improvement in high-level science and technology. For wealth management, the Group will continue to promote and strengthen customer experience. For pension finance, the Group will improve the service functions and actively respond to the national strategy on the aging population. For green finance, the Group will make the business greener and help to achieve the "Dual Carbon Goals".

Deepening and strengthening the building of "Shanghai Base". The Group will continue to join Shanghai's efforts in build a centre of the international economy, finance, trade, shipping and technological innovation; make Shanghai a showcase for innovation of the "five priorities" of finance; efficiently optimise the "one thing" working group mechanism; replicate of the innovative achievements in Shanghai to the whole Bank; and accelerate the development of featured businesses.

Creating new strengths for the development of digital finance. The Group will optimise the management for all customers with the support of product factory; strengthen digital and smart operations to enhance internal and external service efficiency; upgrade digital infrastructure to lay a solid foundation for steady development; and restructure the operation management and financial service processes through the in-depth application of data and technology in the business model and key areas.

Continuously enhancing risk management and risk control. The Group will strengthen the comprehensive risk governance system; coordinate and enhance traditional and non-traditional risk management; strengthen risk prevention and control in key areas, such as real estate, local debts and small and medium-sized financial institutions; and enhance the risk expertise in order to adhere to the bottom line of preventing systemic financial risks.

V. OTHER INFORMATION

(I) Human Resource

1. Basic information of Employees

As at the end of the Reporting Period, the Group had a total of 94,275 employees, among which 87,810 employees were based in domestic banking institutions and 2,587 were local employees in overseas branches (sub-branches), and 3,878 were employees of the Bank's subsidiaries (excluding staff dispatched from the Head Office and branches to subsidiaries). The number of retired employees that the Bank had obligation to bear the cost to was 2,337. Among the employees of the Group, 44.98% were male and 55.02% were female. The Bank adhered to equal employment opportunity and equal pay for equal work, as well as paying attention to protect the rights of female employees and eliminating discrimination of any act.

For employees in domestic banking institutions, 27,884 employees held professional technical qualifications, of which 585 employees held senior technical qualifications, accounting for approximately 0.67%. 14,660 employees held intermediate technical qualifications, accounting for 16.70%, 12,639 employees held junior technical qualifications, accounting for 14.39%. The number of employees with master's degree and above was 15,981, accounting for 18.20%. The number of employees with bachelor's degree was 62,856, accounting for 71.58%. The number of employees with associate's degree and below was 8,973, accounting for 10.22%.

2. Employees' Remuneration Policy

The Bank's remuneration allocation is based on the principle of risk-adjusted returns, focusing on the positive correlation between resource allocation and value creation, taking into account fairness and efficiency, so as to drive the high-quality development of the Bank. The Bank's remuneration program for FY2023 was formulated in compliance with the relevant laws, regulations and regulatory requirements, and strictly complied with the internal decision-making process and corporate governance procedures, and was filed with the relevant competent authorities in accordance with the regulations. During the Reporting Period, the Bank's economic, risk and social responsibility indicators were well achieved.

In response to the reform and development requirements, the Bank improved the performance appraisal and remuneration system whereby "salary is determined by post and bonus granted upon performance". The Bank adhered to consistency of value creation with fairness, optimised the allocation of remuneration resources, guided and maximised value creation of operating units, and improved capabilities of pursuing high-quality development. Besides, the Bank insisted on responsibility orientation, grass-root orientation and performance orientation, and focused on positive incentives. In order to improve the incentive constraint mechanism and give full play to the guiding role of remuneration in the operation and management, the Bank formulated and improved the Administrative Measures on Deferred Payment, Resource and Deduction of Performance Wages for Bank of Communications Co., Ltd (the "**Administrative Measures**"). The Bank also established a deferred payment, resource and deduction system for performance wages of senior management and personnel in key positions within the Group, and deferred the payment of over 40% of their performance wages for a period not less than three years. In subsequent years, the Bank will stop payments, resource and deduct such amount based on the abnormal exposure of risks as well as violations of laws, regulations and disciplines. During the Reporting Period, the Bank stopped paying and recovered performance wages for the corresponding period for relevant personnel who were disciplined or held accountable in accordance with the above Administrative Measures.

In addition to basic social pension and insurance, the Bank cared about the welfare of staff and implemented the supplementary benefits such as annuity.

3. Training Management

During the Reporting Period, the Bank continuously held various training classes for cadres and staff to improve their performance and political capabilities, cultivating a financial team with purity, professionalism and competitiveness. In terms of cadre training, 17 training courses were organized on the spirit of the Central Financial Work Conference, digital transformation and high-quality development, focusing on strengthening capabilities of cadres at all levels to promote digital transformation, implement the "five priorities" of finance, and prevent and mitigate financial risks. At the same time, the Bank focused on the needs of quality development, and carried out targeted training for various types of talent teams, such as fintech talent, account managers/product managers, risk managers, payment and settlement talent, and party construction talent, including holding regular seminars on corporate business, international business, inclusive finance business, risk business, internal controls, and credit granting business, so as to effectively enhance the professional capabilities of employees.

The Bank paid great attention to professional ethics training and anti-corruption warning education for employees, and continuously strengthened the anti-corruption awareness of cadres and employees. During the Reporting Period, the Bank educated cadres and employees to take lessons from corruption, resist corruption and guard against degeneration by releasing typical case notifications, holding warning education conferences, and playing warning education films.

As for means of training, the Bank flexibly used online training via its own platform e-Campus, xuexi.cn APP, HUAWEI Video and Tencent Meeting. During the Reporting Period, the Bank organised training for nearly 1.03 million cadre and staff, including face-to-face training for over 190,000 people and online training for over 840,000 people.

4. Talent Training and Reserve

During the reporting period, the Bank continued to optimize the talent development system and mechanism as well as the talent policy in key areas, and strengthened the professional talent team building to provide strong talent protection to facilitate and promote the Bank's high-quality development and digital transformation. The Bank continuously deepened the reform of the talent development system and mechanism, established and improved the relevant criteria, issued the *Action Plan for Enhancing the Quality of Key Talents of the Bank of Communications*, which raised the enhancement of talent quality to the level of the Bank's strategic development, and strived to establish a talent work pattern of coordination and joint management. Focusing on the Bank's digital transformation strategy, the Bank made every effort to promote the implementation of the Ten Thousand People Technology Engagement plan, with the proportion of newly recruited science and technology graduates in the Bank has increased to 70% in 2023. The Bank continued to build a talent team to support its policies and selected 29 business core members to go to difficult areas, such as Qinghai and Xinjiang, to exchange and assist in building branches. The Bank intensified the opening up of high-level leading talent to attract global talent, and achieved a breakthrough in talent attraction in 2023, with around 10 high-level talent introduced in key shortage areas such as financial technology, risk measurement, compliance and anti-money laundering.

(II) Corporate Governance Code in compliance with the Hong Kong Listing Rules

Good corporate governance is the cornerstone of the long-term healthy development of commercial banks. The Bank's vision is "constructing the bank with the best corporate governance", keeps pursuing the best practice of corporate governance. Strengthen the party's leadership while improving the corporate governance, continue to promote the organic integration of advanced party's leadership and corporate governance, improve the framework of corporate governance, speed up the establishment of a modern financial enterprise governance mechanism of "statutory rights, transparent rights, coordination and operation, and effective balances", and the scientific nature, integrity and effectiveness of corporate governance are continuously improved. During the Reporting Period, there is no difference between the Bank's corporate governance conditions and the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China as well as the normative documents and requirements relating to listed corporate governance issued by the CSRC.

The Board of Directors of the Bank confirmed that, during the year ended 31 December 2023, the Bank had complied with the principles and code provisions contained in the *Corporate Governance Code* of the Appendix C1 of Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Hong Kong Listing Rules**") at all times, and complied with the majority of the recommended best practices.

(III) Securities Transactions of Directors, Supervisors and Senior Management

The Bank required that the directors, supervisors and senior management of the Bank to strictly adhere to the *Management Rules for the Shares Held by Directors, Supervisors and Senior Managers of Listed Companies and their Changes* of the CSRC and the *Model Code for Securities Transactions by Directors of Listed Issuers* contained in Appendix C3 to the Hong Kong Listing Rules. Also, the Bank adopted a set of standards not less exacting than those mentioned above for the securities transactions of the directors, supervisors and senior management. Having made enquiry, all the directors, supervisors and senior management of the Bank confirmed that the securities transactions conducted by them were in compliance with the above rules during the Reporting Period.

(IV) Annual Profit Distribution

The Board of Directors proposed that based on the total share capital of 74,262,726,645 ordinary shares of the Bank as at the end of the Reporting Period, a cash dividend of RMB0.375 per share (inclusive of tax) (the "**Final Dividend**") will be distributed to the registered shareholders of A shares and H shares of the Bank, totaling RMB27.849 billion. The Final Dividend is subject to the approval of the 2023 annual general meeting (the "**2023 AGM**") to be held on Wednesday, 26 June 2024.

The register of members for H shares of the Bank will be closed from Friday, 21 June 2024 to Wednesday, 26 June 2024 (both days inclusive), during which period no transfer of the H shares will be registered. Holders of the H shares intending to attend the 2023 AGM shall lodge all the transfer documents with official chops for H shares together with the relevant share certificates with the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Thursday, 20 June 2024.

If the resolution regarding the payment of the Final Dividend is approved at the 2023 AGM, the Final Dividend is expected to be distributed on Wednesday, 10 July 2024 to the shareholders whose names appear on the register of members of A shares of the Bank at the close of business on Tuesday, 9 July 2024, and on Wednesday, 31 July 2024 to the shareholders whose names appear on the register of members of H shares of the Bank at the close of business on Tuesday, 9 July 2024.

The register of members for H shares of the Bank will be closed from Thursday, 4 July 2024 to Tuesday, 9 July 2024 (both days inclusive) during which period no transfer of H shares will be registered. In order to be qualified to receive the Final Dividend, for holders of H shares, all transfer documents together with the relevant share certificates must be lodged with the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 3 July 2024.

VII. FINANCIAL REPORT

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2023

(All amounts expressed in millions of RMB unless otherwise stated)

	2023	2022 (Restated)
Interest income	**459,861**	418,067
Interest expense	**(295,738)**	(248,185)
Net interest income	**164,123**	169,882
Fee and commission income	**47,148**	49,339
Fee and commission expense	**(4,144)**	(4,484)
Net fee and commission income	**43,004**	44,855
Net gains arising from trading activities	**23,224**	17,607
Net gains arising from financial investments	**727**	494
Including: Net gains on derecognition of financial assets measured at amortised cost	***40***	*64*
Share of profits of associates and joint ventures	**356**	292
Other operating income	**26,580**	24,216
Net operating income	**258,014**	257,346
Credit impairment losses	**(56,908)**	(60,411)
Other assets impairment losses	**(1,062)**	(1,897)
Other operating expenses	**(100,346)**	(96,923)
Profit before tax	**99,698**	98,115
Income tax	**(6,446)**	(6,160)
Net profit for the year	**93,252**	91,955

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)
For the year ended 31 December 2023

(All amounts expressed in millions of RMB unless otherwise stated)

	2023	2022 (Restated)
Other comprehensive income, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of debt instruments measured at fair value through other comprehensive income		
Amount recognised in equity	***7,534***	*(7,737)*
Amount reclassified to profit or loss	***(664)***	*(669)*
Expected credit losses of debt instruments measured at fair value through other comprehensive income		
Amount recognised in equity	***1,089***	*1,219*
Amount reclassified to profit or loss	**–**	–
Effective portion of gains or losses on hedging instruments in cash flow hedges		
Amount recognised in equity	***(660)***	*2,004*
Amount reclassified to profit or loss	***50***	*(1,204)*
Translation differences for foreign operations	**2,152**	8,562
Others	**(2,367)**	(641)
Subtotal	**7,134**	1,534
Items that will not be reclassified subsequently to profit or loss:		
Actuarial losses on pension benefits	**33**	(34)
Changes in fair value of equity investments designated at fair value through other comprehensive income	**988**	(1,214)
Changes in fair value attributable to changes in the credit risk of financial liability designated at fair value through profit or loss	**458**	(133)
Others	**(313)**	(19)
Subtotal	**1,166**	(1,400)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)
For the year ended 31 December 2023

(All amounts expressed in millions of RMB unless otherwise stated)

	2023	2022 (Restated)
Other comprehensive income, net of tax	**8,300**	134
Total comprehensive income for the year	**101,552**	92,089
Net profit attributable to:		
Shareholders of the parent company	**92,728**	92,102
Non-controlling interests	**524**	(147)
	93,252	91,955
Total comprehensive income attributable to:		
Shareholders of the parent company	**100,862**	92,122
Non-controlling interests	**690**	(33)
	101,552	92,089
Basic and diluted earnings per share for profit attributable to holders of ordinary shares of the parent company (in RMB yuan)	**1.15**	1.14

Consolidated Statement of Financial Position
For the year ended 31 December 2023

(All amounts expressed in millions of RMB unless otherwise stated)

	As at 31 December 2023	As at 31 December 2022 (Restated)
ASSETS		
Cash and balances with central banks	**898,022**	806,102
Due from and placements with banks and other financial institutions	**859,642**	690,421
Derivative financial assets	**67,387**	69,687
Loans and advances to customers	**7,772,060**	7,135,454
Financial investments at fair value through profit or loss	**642,282**	705,357
Financial investments at amortised cost	**2,573,911**	2,450,775
Financial investments at fair value through other comprehensive income	**887,949**	799,075
Investments in associates and joint ventures	**8,990**	8,750
Property and equipment	**217,751**	194,169
Deferred tax assets	**40,379**	39,512
Other assets	**92,099**	92,269
Total assets	**14,060,472**	12,991,571
LIABILITIES AND EQUITY		
LIABILITIES		
Due to and placements from banks and other financial institutions	**2,424,537**	2,034,894
Financial liabilities at fair value through profit or loss	**56,557**	47,949
Derivative financial liabilities	**50,975**	46,804
Deposits from customers	**8,551,215**	7,949,072
Certificates of deposits issued	**1,027,461**	1,092,366
Income tax payable	**4,538**	3,937
Debt securities issued	**592,175**	530,861
Deferred tax liabilities	**2,407**	1,786
Other liabilities	**251,157**	250,380
Total liabilities	**12,961,022**	11,958,049

Consolidated Statement of Financial Position (Continued)
For the year ended 31 December 2023

(All amounts expressed in millions of RMB unless otherwise stated)

	As at 31 December 2023	As at 31 December 2022 (Restated)
LIABILITIES AND EQUITY (CONTINUED)		
EQUITY		
Share capital	**74,263**	74,263
Other equity instruments	**174,790**	174,790
Including: Preference shares	***44,952***	*44,952*
Perpetual bonds	***129,838***	*129,838*
Capital surplus	**111,428**	111,429
Other reserves	**400,805**	368,808
Retained earnings	**326,744**	292,734
Equity attributable to shareholders of the parent company	**1,088,030**	1,022,024
Equity attributable to non-controlling interests of ordinary shares	**7,912**	8,040
Equity attributable to non-controlling interests of other equity instruments	**3,508**	3,458
Non-controlling interests	**11,420**	11,498
Total equity	**1,099,450**	1,033,522
Total equity and liabilities	**14,060,472**	12,991,571

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

(All amounts expressed in millions of RMB unless otherwise stated)

	Equity attributable to shareholders of the parent company															Non-controlling interests		
		Other equity instruments			Other reserves													
	Share capital	Preference Share	Perpetual bonds	Capital surplus	Statutory reserve	Discretionary surplus reserve	Statutory general reserve	Revaluation reserve and impairment for financial assets at fair value through other comprehensive income	Revaluation reserve for the changes in credit risk of the financial liabilities designated at fair value through profit or loss	Effective portion of gains or losses on hedging instruments in cash flow hedges	Translation differences for foreign operations	Actuarial changes reserve	Others	Retained earnings	Attributable to the shareholders of the parent company	Attributable to ordinary shares	Attributable to other equity instruments	Total
As at 31 December 2022 (Restated)	**74,263**	**44,952**	**129,838**	**111,429**	**88,154**	**140,182**	**144,541**	**(6,664)**	**(157)**	**693**	**1,164**	**(121)**	**1,016**	**292,734**	**1,022,024**	**8,040**	**3,458**	**1,033,522**
Impact of adoption of accounting policies amendments	-	-	-	-	-	-	-	191	-	-	-	-	-	127	318	190	-	508
As at 1 January 2023	**74,263**	**44,952**	**129,838**	**111,429**	**88,154**	**140,182**	**144,541**	**(6,473)**	**(157)**	**693**	**1,164**	**(121)**	**1,016**	**292,861**	**1,022,342**	**8,230**	**3,458**	**1,034,030**
Total comprehensive income	-	-	-	-	-	-	-	7,880	458	(609)	2,050	33	(1,678)	92,728	100,862	509	181	101,552
Dividends paid to ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(27,700)	(27,700)	(308)	-	(28,008)
Dividends paid to preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,832)	(1,832)	-	-	(1,832)
Interest paid to perpetual bond holders	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,641)	(5,641)	-	-	(5,641)
Interest paid to non-cumulative subordinated additional tier-1 capital securities holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(131)	(131)
Transfer to reserves	-	-	-	-	9,073	217	14,512	-	-	-	-	-	-	(23,802)	-	-	-	-
Transfer of other comprehensive income to retained earnings	-	-	-	-	-	-	-	(130)	-	-	-	-	-	130	-	-	-	-
Others	-	-	-	(1)	-	-	-	-	-	-	-	-	-	-	(1)	(519)	-	(520)
As at 31 December 2023	**74,263**	**44,952**	**129,838**	**111,428**	**97,227**	**140,399**	**159,053**	**1,277**	**301**	**84**	**3,214**	**(88)**	**(662)**	**326,744**	**1,088,030**	**7,912**	**3,508**	**1,099,450**

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2022

(All amounts expressed in millions of RMB unless otherwise stated)

	Equity attributable to shareholders of the parent company															Non-controlling interests		
		Other equity instruments			Other reserves													
	Share capital	Preference Share	Perpetual bonds	Capital surplus	Statutory reserve	Discretionary surplus reserve	Statutory general reserve	Revaluation reserve and impairment for financial assets at fair value through other comprehensive income	Revaluation reserve for the changes in credit risk of the financial liabilities designated at fair value through profit or loss	Effective portion of gains or losses on hedging instruments in cash flow hedges	Translation differences for foreign operations	Actuarial changes reserve	Others	Retained earnings	Attributable to the shareholders of the parent company	Attributable to ordinary shares	Attributable to other equity instruments	Total
As at 1 January 2022 (Restated)	74,263	44,952	129,838	111,428	79,967	140,022	130,280	1,530	(24)	(104)	(6,884)	(87)	1,379	257,187	963,747	8,881	3,165	975,793
Total comprehensive income	–	–	–	–	–	–	–	(8,295)	(133)	797	8,048	(34)	(363)	92,102	92,122	(445)	412	92,089
Dividends paid to ordinary shares	–	–	–	–	–	–	–	–	–	–	–	–	–	(26,363)	(26,363)	(396)	–	(26,759)
Dividends paid to preference shares	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,832)	(1,832)	–	–	(1,832)
Interest paid to perpetual bond holders	–	–	–	–	–	–	–	–	–	–	–	–	–	(5,651)	(5,651)	–	–	(5,651)
Interest paid to non-cumulative subordinated additional tier-1 capital securities holders	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(119)	(119)
Transfer to reserves	–	–	–	–	8,187	160	14,261	–	–	–	–	–	–	(22,608)	–	–	–	–
Transfer of other comprehensive income to retained earnings	–	–	–	–	–	–	–	101	–	–	–	–	–	(101)	–	–	–	–
Others	–	–	–	1	–	–	–	–	–	–	–	–	–	–	1	–	–	1
As at 31 December 2022	74,263	44,952	129,838	111,429	88,154	140,182	144,541	(6,664)	(157)	693	1,164	(121)	1,016	292,734	1,022,024	8,040	3,458	1,033,522

Consolidated Statement of Cash Flows
For the year ended 31 December 2023

(All amounts expressed in millions of RMB unless otherwise stated)

	2023	2022 (Restated)
Cash flows from operating activities:		
Profit before tax:	**99,698**	98,115
Adjustments for:		
Provision for credit impairment losses	**56,908**	60,411
Provision for other assets impairment losses	**1,062**	1,897
Depreciation and amortisation	**18,279**	16,150
(Reversal)/provision for outstanding litigation and unsettled obligation	**(14)**	56
Net gains on the disposal of property, equipment and other assets	**(793)**	(739)
Interest income from financial investments	**(111,647)**	(97,311)
Fair value net (gains)/losses	**(5,304)**	4,171
Net gains on investments in associates and joint ventures	**(356)**	(292)
Net gains on financial investments	**(193)**	(494)
Interest expense on debt securities issued	**16,395**	15,807
Interest expense on lease liabilities	**147**	179
Operating cash flows before movements in operating assets and liabilities	**74,182**	97,950
Net increase in balances with central banks	**(7,027)**	(57,272)
Net (increase)/decrease in due from and placements with banks and other financial institutions	**(222,855)**	6,251
Net increase in loans and advances to customers	**(678,863)**	(741,007)
Net decrease/(increase) in financial assets at fair value through profit or loss	**68,810**	(86,355)
Net decrease/(increase) in other assets	**8,378**	(11,755)
Net increase in due to and placements from banks and other financial institutions	**399,145**	78,740
Net decrease in financial liabilities at fair value through profit or loss	**(8,510)**	(5,357)
Net increase in deposits from customers and certificates of deposits issued	**487,415**	1,012,585
Net increase in other liabilities	**23,345**	87,181
Net increase/(decrease) in value-added tax and other taxes payable	**472**	(829)
Income tax paid	**(7,169)**	(11,911)
Net cash flows generated from operating activities	**137,323**	368,221

Consolidated Statement of Cash Flows (Continued)
For the year ended 31 December 2023

(All amounts expressed in millions of RMB unless otherwise stated)

	2023	2022 (Restated)
Cash flows from investing activities:		
Cash payment for investment in subsidiaries, associated ventures and joint ventures	**–**	(2,780)
Cash payments for financial investments	**(1,203,846)**	(1,232,873)
Cash received on disposal or redemption of financial investments	**1,013,044**	879,650
Dividends received	**744**	870
Interest received from financial investments	**111,423**	94,863
Acquisition of intangible assets and other assets	**(2,450)**	(2,094)
Cash received from the sale of intangible assets and other assets	**25**	11
Acquisition of property, equipment	**(45,141)**	(29,561)
Cash received from disposal of property, equipment	**9,578**	7,017
Net cash flows used in investing activities	**(116,623)**	(284,897)
Cash flows from financing activities:		
Proceeds from issue of debt securities	**196,102**	182,492
Repayment of principals of debt securities issued	**(137,871)**	(163,432)
Payment of interest on debt securities	**(15,092)**	(15,384)
Repayment of principal and interest of lease liabilities	**(2,514)**	(2,581)
Dividends paid	**(35,298)**	(33,555)
Dividends paid to non-controlling interests	**(439)**	(515)
Net cash flows generated/(used in) from financing activities	**4,888**	(32,975)
Effect of exchange rate changes on cash and cash equivalents	**1,070**	4,146
Net increase in cash and cash equivalents	**26,658**	54,495
Cash and cash equivalents at the beginning of the year	**248,803**	194,308
Cash and cash equivalents at the end of the year	**275,461**	248,803
Net cash flows from operating activities include:		
Interest received	**350,078**	323,364
Interest paid	**(241,668)**	(201,693)

1 Summary of significant accounting policies

(1) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (the "**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the "**IASB**") and the disclosure requirement of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group.

(2) Basis of preparation of the financial statements

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment property which are measured at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

The financial statements are presented in RMB, rounded to the nearest million, which is the functional currency of the Group.

(3) Changes in accounting policies

(a) Standards and amendments effective in 2023 relevant to and adopted by the Group

In the current reporting period, the Group has adopted the following International Financial Reporting Standards ("**IFRSs**") and amendments issued by the International Accounting Standards Board ("**IASB**"), that are mandatorily effective for the current reporting period.

		Note
IFRS 17	Insurance Contracts	*(i)*
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	*(ii)*
Amendments to IAS 8	Definition of Accounting Estimates	*(iii)*
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	*(iv)*
Amendments to IAS 12	International tax reform – Pillar Two model rules	*(v)*

<u>(i) IFRS 17: Insurance Contracts</u>

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. Amendments to IFRS 17 were issued in June 2020 and December 2021 to address stakeholder concerns and implementation challenges. IFRS 17 sets out a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers.

In accordance with IFRS 17, the Group: (1) adjusted the recognition principles for insurance revenue. Insurance revenue will be recognized over the coverage period based on the provision of services, and the investment component and other non-insurance services that can be clearly distinguished will be split from the insurance contract. The premium corresponding to the investment component, other non-insurance services and the inseparable investment component were excluded from the insurance revenue; (2) revised the measurement of insurance contract liabilities, including revising measurement models for insurance contracts, revising the measurement of contractual service margin ("**CSM**"), the methods for measuring CSM at the transition date, and the method for determining the discount rate of insurance contract liabilities, etc.

The Group adopted IFRS 17 on 1 January 2023. According to the transitional provisions of IFRS 17, for insurance contracts that occurred before the the transition date (1 January 2023) of which measurements were not was in inconformity to IFRS 17, the Group has made retrospective adjustments and recognised the cumulative effect as an adjustment to retained earnings and other equity items as at 1 January 2022, and comparative information was adjusted meanwhile. In addition, according to the transitional provisions of IFRS 17, the Group also reassessed the business model for managing financial assets and revoked the previous designation, to reclass the category and measurement of financial assets. The Group recognised the cumulative effect as an adjustment to retained earnings and other equity items as at 1 January 2023, without adjusting the comparative information.

The effects of adopting IFRS 17 on each of the line items in the consolidated balance sheet as at 31 December 2022 are as follows:

	Before adjustments	**Adjustments**	**After adjustments**
ASSETS			
Loans and advances to customers	7,136,677	(1,223)	7,135,454
Deferred tax assets	38,771	741	39,512
Other assets	92,635	(366)	92,269
LIABILITIES			
Other liabilities	249,010	1,370	250,380
EQUITY			
Other reserves	369,259	(451)	368,808
Retained earnings	293,668	(934)	292,734
Equity attributable to non-controlling interests of ordinary shares	8,873	(833)	8,040

The effects of adopting IFRS 17 on each of the line items in the consolidated income statement for the year ended 31 December 2022 are as follows:

	Before adjustments	**Adjustments**	**After adjustments**
Net operating income	273,528	(16,182)	257,346
Other operating expenses	(113,005)	16,082	(96,923)
Net profit for the year	92,030	(75)	91,955
Other comprehensive income, net of tax	834	(700)	134

The Group adopted IFRS 17, recognising the cumulative effect of class and measurement of financial assets as an adjustment to retained earnings and other equity items as at 1 January 2023. The effects on each of the line items in the consolidated balance sheet as at 1 January 2023 are as follows:

	Before adjustments	**Adjustments**	**After adjustments**
ASSETS			
Financial investments at fair value through profit or loss	705,357	688	706,045
Financial investments at amortised cost	2,450,775	(19,151)	2,431,624
Financial investments at fair value through other comprehensive income	799,075	18,971	818,046
EQUITY			
Other reserves	368,808	191	368,999
Retained earnings	292,734	127	292,861
Equity attributable to non-controlling interests of ordinary shares	8,040	190	8,230

(ii) <u>Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies</u>

The amendments clarify that an entity will be required to disclose its "material" accounting policy information as opposed to "significant" accounting policies and provide additional guidance on how to identify material accounting policy information. The amendments to IFRS Practice Statement 2 provide additional guidance and examples to explain and illustrate the application of the "four-step materiality process" to accounting policy information.

The adoption of this standard and amendment does not have a significant impact on the financial position or comprehensive income of the Group.

(iii) Amendments to IAS 8: Definition of Accounting Estimates

The amendments now define "accounting estimates" as "monetary amounts in financial statements that are subject to measurement uncertainty" and remove the definition of "a change in accounting estimate". The amendments also clarify that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates unless they result from the correction of prior period errors.

The adoption of this standard and amendment does not have a significant impact on the financial position or comprehensive income of the Group.

(iv) Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments specify how entities should account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition. As a result, entities will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The adoption of this standard and amendment does not have a significant impact on the financial position or comprehensive income of the Group.

(v) Amendments to IAS 12, International tax reform – Pillar Two model rules

The Group has adopted International Tax Reform-Pillar Two Model Rules-Amendments to IAS 12 upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules. The amendments also introduce disclosures requirements about such tax, including the estimated exposure to Pillar Two income tax. The recognition exception and disclosure about such exception are effective immediately upon issuance of the amendments. The other disclosure requirements are applicable to the annual periods beginning on or after 1 January 2023. The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or officially implemented at 31 December 2023 in any jurisdiction in which the Group operates and no related deferred taxes were recognised at that date, the retrospective application has no impact on the consolidated financial statements as at and for the year ending 31 December 2023.

(b) Standards and amendments relevant to the Group that are not yet effective in the current reporting period and have not been adopted before their effective dates by the Group

The Group has not adopted the following new or amended standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee, that have been issued but are not yet effective.

			Effective for annual periods beginning on or after	*Note*
(1)	Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024	*(i)*
(2)	Amendments to IAS 1 (2020)	Classification of Liabilities as Current or Non-current	1 January 2024	*(ii)*
(3)	Amendments to IAS 1 (2022)	Non-current Liabilities with Covenants	1 January 2024	*(ii)*
(4)	Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024	*(iii)*
(5)	Amendments to IAS 21	Lack of exchangeability	1 January 2025	*(iv)*
(6)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The effective date has now been deferred	*(v)*

(i) Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

The amendments add to the requirements explaining how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains, including cases with variable lease payments in the leaseback.

The Group anticipates that the adoption of the amendments will not have a significant impact on the consolidated financial statements.

(ii) Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

The amendments to IAS 1 (2020) concern the requirements on determining if a liability is current or non-current. In particular, the amendments specify the condition of an entity to classify a liability as non-current requires that a right to defer settlement must exist at the end of the reporting period and have substance, and clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement.

The amendments also specify the classification of liabilities that will or may be settled by issuing an entity's own equity instruments. When a liability includes a counterparty conversion option that involves a transfer of the entity's own equity instruments, the classification of such liability is not affected only when the conversion option is recognised separately from the host liability as an equity component under IAS 32.

The amendments to IAS 1 (2022) specify that only covenants with which an entity must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the entity must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, an entity is required to disclose information regarding the risk that the non-current liabilities subject to future covenants could become repayable within twelve months after the end of the reporting period.

The 2022 amendments defer the effective date of the 2020 amendments to annual reporting periods beginning on or after 1 January 2024. If an entity applies one of these two amendments for an earlier period, the other amendments should also be applied for that period.

The Group anticipates that the adoption of the amendments will not have a significant impact on the consolidated financial statements.

(iii) Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements

The amendments contain disclosure requirements to enhance transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk.

The Group anticipates that the adoption of the amendments will not have a significant impact on the consolidated financial statements.

(iv) Amendments to IAS 21: Lack of exchangeability

The amendments specify when a currency is exchangeable into another currency and when it is not, and how an entity determines a spot rate when a currency lacks exchangeability.

Under the amendments, entities are required to provide additional disclosures to help users evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

The Group anticipates that the adoption of the amendments will not have a significant impact on the consolidated financial statements.

(v) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

The Group anticipates that the adoption of the amendments will not have a significant impact on the consolidated financial statements.

2 Net interest income

	2023	2022
Interest income		
Loans and advances to customers	**306,150**	291,850
Financial investments	**111,647**	97,311
Due from and placements with banks and other financial institutions	**29,671**	17,886
Balances with central banks	**12,393**	11,020
Subtotal	**459,861**	418,067
Interest expense		
Deposits from customers	**(192,982)**	(163,457)
Due to and placements from banks and other financial institutions	**(55,150)**	(44,696)
Certificates of deposit issued	**(31,211)**	(24,225)
Debt securities issued	**(16,395)**	(15,807)
Subtotal	**(295,738)**	(248,185)
Net interest income	**164,123**	169,882

3 Fee and commission income

	2023	2022
Bank cards business	**18,762**	19,141
Custody and other fiduciary business	**8,004**	7,496
Wealth management business	**7,808**	10,154
Agency services	**5,274**	4,980
Guarantee and commitment	**3,201**	2,884
Investment banking	**2,521**	3,093
Settlement services	**1,375**	1,364
Others	**203**	227
Total	**47,148**	49,339

4 Credit impairment losses

	2023	2022
Loans and advances to customers at amortised cost	**54,211**	57,066
Due from and placements with banks and other financial institutions	**1,502**	(1,333)
Debt investments at FVOCI	**1,027**	598
Loans and advances to customers at FVOCI	**733**	840
Financial investments at amortised cost	**45**	(198)
Credit related commitments and financial guarantees	**(2,269)**	2,358
Others	**1,659**	1,080
Total	**56,908**	60,411

5 Other assets impairment losses

	2023	2022
Operating lease assets	**1,007**	1,882
Foreclosed assets	**61**	8
Investments in associates and joint ventures	**2**	–
Assets to be disposed	**(1)**	–
Precious metal	**(7)**	7
Total	**1,062**	1,897

6 Income tax

	2023	2022
Current income tax		
– Enterprise income tax	**5,604**	9,919
– Hong Kong profits tax	**802**	464
– Other countries or regions	**929**	715
Subtotal	**7,335**	11,098
Deferred income tax	**(889)**	(4,938)
Total	**6,446**	6,160

The provision for enterprise income tax in Chinese Mainland is calculated based on the statutory rate of 25% of the assessable income of the Bank and each of the subsidiary established in Chinese Mainland. Taxation arising in other jurisdictions (including Hong Kong) is calculated at the rates prevailing in the relevant jurisdictions, the shortfall arising from the difference between tax paid by overseas branches and the accrued tax under the regulation of Chinese Mainland shall be compensated by the head office.

The actual taxation on the Group differs from the theoretical amount calculated using the Group's profit before tax at the tax rate of 25%. The major reconciliation items are as follows:

	Note	2023	2022
Profit before tax		**99,698**	98,115
Tax calculated at statutory rate of 25%		**24,924**	24,529
Effects of different tax rates prevailing in other countries or regions		**(73)**	122
Effects of non-deductible expenses	*(1)*	**6,554**	4,356
Effects of non-taxable income	*(2)*	**(23,746)**	(20,982)
Adjustments for income tax filing of prior years		**163**	(487)
Others		**(1,376)**	(1,378)
Income tax		**6,446**	6,160

(1) Non-deductible expenses primarily represent non-deductible write-offs.

(2) Non-taxable income primarily represents interest income from PRC treasury bonds and municipal government bonds and fund investment income.

7 Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of the parent company by the weighted average number of ordinary shares in issue during the year.

	2023	2022
Net profit attributable to shareholders of the parent company	**92,728**	92,102
Less: Dividends paid to preference shareholders	**(1,832)**	(1,832)
Interest paid to perpetual bond holders	**(5,641)**	(5,651)
Net profit attributable to holders of ordinary shares of the parent company	**85,255**	84,619
Weighted average number of ordinary shares in issue (expressed in millions) at the end of the year	**74,263**	74,263
Basic and diluted earnings per share (expressed in RMB per share)	**1.15**	1.14

For the calculation of basic earnings per share, a cash dividend of RMB1,832 million on preference shares and interests of RMB5,641 million on perpetual bond declared for the year was deducted from the amounts attributable to shareholders of the parent company. The conversion feature of preference shares may lead to the possible existence of contingently issuable ordinary shares. The triggering events of conversion did not occur for the year ended 31 December 2023, and therefore the conversion feature of preference shares has no effect on the calculation of the basic and diluted earnings per share.

8 Derivative financial instruments

A derivative is a financial instrument, the value of which changes in response to the changes in a specified foreign exchange rate, interest rate, commodity price or other similar variables. The Group utilize derivative financial instruments for trading or hedging purposes, including forwards, swaps and options.

The notional amount of a derivative represents the underlying amount of the specific financial instruments mentioned above. It indicates the volume of business transacted by the Group but does not reflect the risk.

The notional amounts and fair values of derivative financial instruments held by the Group are set out below:

As at 31 December 2023	**Contractual/ notional amount**	**Fair values Assets**	**Fair values Liabilities**
Foreign exchange and commodity contracts	**4,455,867**	**38,859**	**(39,293)**
Interest rate contracts and others	**3,451,974**	**28,528**	**(11,682)**
Total amount of derivative financial instruments recognised	**7,907,841**	**67,387**	**(50,975)**

As at 31 December 2022	Contractual/ notional amount	Fair values Assets	Fair values Liabilities
Foreign exchange and commodity contracts	3,406,796	34,499	(34,648)
Interest rate contracts and others	3,076,875	35,188	(12,156)
Total amount of derivative financial instruments recognised	6,483,671	69,687	(46,804)

(1) Fair value hedge

The Group uses interest rate swaps to hedge against changes in fair value arising from changes in interest rates. Some purchased interest rate swap contracts are designated as hedging instruments, whose terms are identical with those of the corresponding hedged items regarding interest rate, maturity and currency. The Group uses regression analysis and critical term match to evaluate the effectiveness of hedging. With the support of testing results, the Group's management considers the hedging relationship to be highly effective.

The gain and loss arising from the ineffective portion recognized in net trading gains were immaterial in 2023 and 2022.

	As at 31 December 2023			As at 31 December 2022			
	Contractual/ notional amount	**Fair values**		Contractual/ notional amount	Fair values		**Line items in the statement of financial position**
		Assets	**Liabilities**		Assets	Liabilities	
Interest rate contract	**230,540**	**12,002**	**(898)**	177,797	15,934	(20)	Derivative financial assets/liabilities

(a) The changes in fair value of the hedging instruments and net gains or losses arising from the hedged risk relating to the hedged items are set out below:

	2023	2022
Net losses from fair value hedges:		
Hedging instruments	**(4,669)**	15,231
Hedged items attributable to the hedged risk	**4,565**	(15,553)
Total	**(104)**	(322)

(b) The following table shows the fair value hedge notional amounts with remaining maturity of:

	Up to 1 month	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**Over 5 years**	**Total**
As at 31 December 2023	**1,279**	**7,715**	**14,762**	**132,865**	**73,919**	**230,540**
As at 31 December 2022	1,252	2,457	10,686	100,884	62,518	177,797

(c) Details of the Group's hedged items in fair value hedges are as follows:

As at 31 December 2023

	Carrying amount of hedged items		**Accumulated adjustments to the fair value of hedged items**		**Line items in the statement of financial position**
	Assets	**Liabilities**	**Assets**	**Liabilities**	
Bonds	**204,123**	**–**	**(10,967)**	**–**	**Financial investments at amortised cost/ Financial investments at fair value through other comprehensive income**
Others	**17,042**	**(884)**	**(10)**	**2**	**Due from and placements with banks and other financial institutions/Loans and advances to customers/ Debt securities issued**
Total	**221,165**	**(884)**	**(10,977)**	**2**	

As at 31 December 2022

	Carrying amount of hedged items		Accumulated adjustments to the fair value of hedged items		Line items in the statement of financial position
	Assets	Liabilities	Assets	Liabilities	
Bonds	163,017	–	(15,916)	–	Financial investments at amortised cost/ Financial investments at fair value through other comprehensive income
Others	1,791	–	(111)	–	Due from and placements with banks and other financial institutions / Loans and advances to customers
Total	164,808	–	(16,027)	–	

(2) Cash flow hedge

The Group uses foreign exchange contracts to hedge against exposures to cash flow variability primarily resulting from foreign exchange risks and uses interest rate swaps to hedge against exposures to cash flow variability primarily resulting from interest rate risks. The hedged items include loans to banks, loans and advances to customers, debt investments at FVOCI, Debt securities issued and other assets. The Group mainly uses regression analysis and critical term match to evaluate the effectiveness of hedging.

Gains and losses arising from the portion of hedge ineffectiveness recognised in cash flow hedges were not material in 2023 and 2022.

	As at 31 December 2023			As at 31 December 2022			
	Contractual/ notional amount	**Fair values**		Contractual/ notional amount	Fair values		**Line items in the statement of financial position**
		Assets	**Liabilities**		Assets	Liabilities	
Foreign exchange contract	**148,892**	**1,225**	**(2,103)**	54,918	1,068	(1,201)	Derivative financial assets/liabilities
Interest rate contract	**22,063**	**603**	**(22)**	20,965	975	(1)	Derivative financial assets/liabilities
Total	**170,955**	**1,828**	**(2,125)**	75,883	2,043	(1,202)	

(a) The following table shows the cash flow hedge notional amounts with remaining maturity of:

	Up to 1 month	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**Over 5 years**	**Total**
As at 31 December 2023	**13,911**	**43,152**	**78,265**	**32,117**	**3,510**	**170,955**
As at 31 December 2022	5,874	13,719	26,589	22,997	6,704	75,883

(b) Information on the Group's risk exposures in cash flow hedges and the impact on equity and profit or loss is as follows:

2023

	hedged items		Hedging instruments			
	Assets	**Liabilities**	**Fair value changes on hedging instruments recognised in Other comprehensive income**	**Reclassifications from the cash flow hedge reserve to profit or loss**	**Line item in the statement of profit or loss including reclassifications**	**cash flow hedge reserve**
Foreign risk	**34,461**	**(107,383)**	**440**	**(85)**	**Net gains arising from trading activities**	**(350)**
Interest risk	**1,422**	**(20,662)**	**385**	**18**	**Net gains arising from trading activities**	**266**
Total	**35,883**	**(128,045)**	**825**	**(67)**		**(84)**

2022

	hedged items		Hedging instruments			
	Assets	Liabilities	Fair value changes on hedging instruments recognised in Other comprehensive income	Reclassifications from the cash flow hedge reserve to profit or loss	Line item in the statement of profit or loss including reclassifications	cash flow hedge reserve
Foreign risk	29,479	(52,009)	(1,414)	1,606	Net gains arising from trading activities	(7)
Interest risk	2,618	(16,481)	(1,150)	–	None	(686)
Total	32,097	(68,490)	(2,564)	1,606		(693)

9 Dividends

	2023	2022
Dividends to ordinary shareholders of the Bank	**27,700**	26,363
Dividends to preference shareholders of the Bank	**1,832**	1,832
Interest to perpetual bond holders of the Bank	**5,641**	5,651

Under PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

(1) Making up cumulative losses from prior years, if any;

(2) Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank as determined under the relevant PRC accounting standards;

(3) Allocations to statutory general reserve;

(4) Allocations to the discretionary reserve upon approval by the Annual General Meeting of Shareholders. These funds form part of the shareholders' equity. The cash dividends are recognised in the consolidated statement of financial position upon approval by the shareholders at Annual General Meeting.

Pursuant to the approval by the Annual General Meeting of Shareholders on 27 June 2023, the Bank appropriated a cash dividend of RMB0.373 (before tax) for each ordinary share, with total amount of RMB27,700 million, calculated based on 74,263 million shares outstanding as at 31 December 2022, will be distributed to ordinary shareholders.

Pursuant to the approval by the Board meeting on 28 April 2023, the Bank will appropriate domestic preference dividends of RMB1,832 million with a dividend yield of 4.07%.

The Bank distributed the interest on the 2020 undated capital bonds in USD amounting to RMB899 million on 18 November 2023.

The Bank distributed the interest on the 2020 undated capital bonds amounting to RMB1,377 million on 25 September 2023.

The Bank distributed the interest on the 2019 undated capital bonds amounting to RMB1,680 million on 20 September 2023.

The Bank distributed the interest on the 2021 undated capital bonds amounting to RMB1,685 million on 10 June 2023.

10 Contingencies

Legal proceedings

The Group has been involved as defendants in certain lawsuits arising from its normal business operations. Management of the Group believes, based on legal advice, the final result of these lawsuits will not have a material impact on the financial position or operations of the Group. The total outstanding claims against the Group (as defendant) by a number of third parties at the end of the year are summarised as follows:

	As at 31 December 2023	As at 31 December 2022
Outstanding litigations	**1,480**	2,017
Provision for outstanding litigation	**503**	520

Future receivables from operating leases

The Group acts as lessor in operating leases principally through aircrafts, vessels and equipments leasing undertaken by its subsidiaries. The future minimum lease receivables on certain aircraft, vessel and equipments under irrevocable operating leases are as follows:

	As at 31 December 2023	As at 31 December 2022
Within 1 year	**18,835**	16,880
After 1 year and within 2 years	**17,470**	15,635
After 2 years and within 3 years	**16,327**	14,209
After 3 years and within 4 years	**14,904**	12,954
After 4 years and within 5 years	**12,935**	11,374
After 5 years	**53,932**	43,924
Total	**134,403**	114,976

11 Commitments

Credit related commitments and financial guarantees

The following tables provide the contractual amounts of the Group's credit related commitments and financial guarantees which the Group has committed to its customers:

	As at 31 December 2023	As at 31 December 2022
Loan commitments		
– Under 1 year	**6,013**	10,129
– 1 year and above	**82,507**	71,743
Credit card commitments	**938,820**	998,125
Acceptance bills	**544,473**	536,574
Letters of guarantee	**455,646**	420,167
Letters of credit commitments	**205,132**	183,717
Total	**2,232,591**	2,220,455

Capital expenditure commitments

	As at 31 December 2023	As at 31 December 2022
Contracted but not provided for	**87,143**	94,654

Commitments on security underwriting and bond acceptance

The Group is entrusted by the Ministry of Finance ('**MOF**') to underwrite certain Certificated Bonds and Savings Bonds. The investors of Certificated Bonds and Savings Bonds have early redemption right while the Group has the obligation to buy back those Certificated Bonds and Savings Bonds. The redemption price is the principal value of the Certificated Bonds or Savings Bonds plus unpaid interest till redemption date. As at 31 December 2023, the principal value of the certain Certificated Bonds and Savings Bonds that the Group had the obligation to buy back amounted to RMB63,381 million (As at 31 December 2022: RMB66,715 million).

The MOF will not provide funding for the early redemption of these Certificated Bonds and Savings Bonds on a back-to-back basis but will pay interest and principal at maturity. As at 31 December 2023, The Group expects the amount of redemption before the maturity dates of these bonds through the Group will not be material (As at 31 December 2022: not material).

As at 31 December 2023, the Group had no announced but unfulfilled irrevocable commitment on security underwriting (As at 31 December 2022: Nil).

12 Segmental analysis

Operating segments are identified based on the structure of the Group's internal organization and management requirements. Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Funds are ordinarily allocated between segments. Costs of these funds are charged at the Group's cost of capital and disclosed in inter-segment net interest income. Net interest income and expense relating to third parties are disclosed in external net interest income. There are no other material items of income or expenses between the segments.

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The basis for allocation is mainly based on occupation of or contribution to resources. Income tax is managed on a group basis and is not allocated to operating segments.

Geographical operating segment information

The Group's Board of Directors and senior management reviews the Group's operation by the particular economic areas in which the Group's branches and subsidiaries provide products or services. The Group's geographical operating segments are decided based upon location of the assets, as the Group's branches and subsidiaries mainly serve local customers.

The Group's geographical operating segments include provincial and directly managed branches and subsidiaries (if any) in relevant regions, as follows:

- Head Office: Head Office, including the Pacific Credit Card Centre;
- Yangtze River Delta: including Shanghai (excluding Head Office), Jiangsu Province, Zhejiang Province and Anhui Province;
- Central China: including Shanxi Province, Jiangxi Province, Henan Province, Hubei Province, Hunan Province, Hainan Province and Guangxi Zhuang Autonomous Region;
- Bohai Rim Economic Zone: including Beijing, Tianjin, Hebei Province and Shandong Province;
- Pearl River Delta: including Fujian Province and Guangdong Province;
- Western China: including Chongqing, Sichuan Province, Guizhou Province, Yunnan Province, Shaanxi Province, Gansu Province, Qinghai Province, Inner Mongolia Autonomous Region, Ningxia Autonomous Region, Xinjiang Uyghur Autonomous Region and Tibet Autonomous Region;
- North Eastern China: including Liaoning Province, Jilin Province and Heilongjiang Province;
- Overseas: including Hong Kong, New York, Tokyo, Singapore, Seoul, Frankfurt, Macau, Ho Chi Minh City, San Francisco, Sydney, Taipei, London, Luxembourg, Brisbane, Paris, Rome, Brazil, Melbourne, Toronto, Prague and Johannesburg.

The geographical operating segment information of the Group is summarised as follows:

	Year ended 31 December 2023								
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic North Eastern Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Total
External net interest income/(expense)	21,995	10,379	(3,212)	20,894	17,232	(1,525)	13,336	85,024	164,123
Inter-segment net interest income/ (expense)	28,476	9,527	27,809	9,261	2,150	7,275	1,059	(85,557)	-
Net interest income/(expense)	50,471	19,906	24,597	30,155	19,382	5,750	14,395	(533)	164,123
Fee and commission income	11,845	3,866	5,506	5,853	3,144	1,216	2,077	13,641	47,148
Fee and commission expense	(1,364)	(35)	(76)	(97)	(21)	(14)	(186)	(2,351)	(4,144)
Net fee and commission income	10,481	3,831	5,430	5,756	3,123	1,202	1,891	11,290	43,004
Net gains/(loss) arising from trading activities	5,924	380	298	494	(108)	20	1,207	15,009	23,224
Net gains/(loss) arising from financial investments	1,596	1	-	-	-	15	(617)	(268)	727
Share of (loss)/profits of associates and joint ventures	(15)	-	-	-	-	-	63	308	356
Other operating income	23,109	403	529	504	405	213	822	595	26,580
Total net operating income	91,566	24,521	30,854	36,909	22,802	7,200	17,761	26,401	258,014
Credit impairment losses	(7,633)	(9,491)	(846)	(6,282)	(7,225)	(781)	(6,071)	(18,579)	(56,908)
Other assets impairment (losses)/ reversal	(1,029)	1	1	(3)	(10)	(23)	-	1	(1,062)
Other operating expense	(35,320)	(7,155)	(9,250)	(9,765)	(6,758)	(3,458)	(5,742)	(22,898)	(100,346)
Profit/(loss) before tax	47,584	7,876	20,759	20,859	8,809	2,938	5,948	(15,075)	99,698
Income tax									(6,446)
Net profit for the year									93,252
Depreciation and amortisation	(1,781)	(955)	(1,178)	(1,176)	(956)	(497)	(569)	(2,415)	(9,527)
Capital expenditure	(40,918)	(257)	(398)	(668)	(380)	(271)	(294)	(3,833)	(47,019)

	Year ended 31 December 2022								
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic North Eastern Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Total
External net interest income/(expense)	28,138	13,195	(1,906)	23,356	18,025	(516)	10,903	78,687	169,882
Inter-segment net interest income/ (expense)	23,929	7,099	26,649	7,765	1,568	6,358	121	(73,489)	–
Net interest income/(expense)	52,067	20,294	24,743	31,121	19,593	5,842	11,024	5,198	169,882
Fee and commission income	14,336	4,016	5,554	5,827	3,069	1,183	2,226	13,128	49,339
Fee and commission expense	(2,620)	(42)	(70)	(153)	(21)	(15)	(214)	(1,349)	(4,484)
Net fee and commission income	11,716	3,974	5,484	5,674	3,048	1,168	2,012	11,779	44,855
Net gains/(loss) arising from trading activities	3,362	274	177	651	(173)	78	(471)	13,709	17,607
Net gains/(loss) arising from financial investments	948	–	27	–	–	17	(146)	(352)	494
Share of (loss)/profits of associates and joint ventures	(55)	–	–	–	–	–	65	282	292
Other operating income	18,908	582	1,252	1,043	868	266	802	495	24,216
Total net operating income	86,946	25,124	31,683	38,489	23,336	7,371	13,286	31,111	257,346
Credit impairment losses	(6,154)	(6,968)	(13,868)	(870)	(7,281)	(3,961)	(4,357)	(16,952)	(60,411)
Other assets impairment (losses)/ reversal	(1,884)	(2)	(2)	(2)	(1)	(7)	–	1	(1,897)
Other operating expense	(31,213)	(6,955)	(9,177)	(9,484)	(6,674)	(3,371)	(5,138)	(24,911)	(96,923)
Profit/(loss) before tax	47,695	11,199	8,636	28,133	9,380	32	3,791	(10,751)	98,115
Income tax									(6,160)
Net profit for the year									91,955
Depreciation and amortisation	(1,793)	(945)	(1,141)	(1,135)	(956)	(497)	(508)	(1,675)	(8,650)
Capital expenditure	(25,091)	(340)	(210)	(391)	(856)	(190)	(441)	(3,989)	(31,508)

	As at 31 December 2023									
	Yangtze River Delta	**Pearl River Delta**	**Bohai Rim Economic North Eastern Zone**	**Central China**	**Western China**	**North Eastern China**	**Overseas**	**Head Office**	**Eliminations**	**Total**
Segment assets	**3,581,356**	**1,280,694**	**2,097,935**	**1,498,173**	**1,025,178**	**471,772**	**1,204,469**	**5,486,713**	**(2,626,197)**	**14,020,093**
Including: *Investments in associates and joint ventures*	***1,427***	**–**	**–**	***1***	**–**	**–**	***1,038***	***6,524***	**–**	***8,990***
Unallocated assets										**40,379**
Total assets										**14,060,472**
Segment liabilities	**(3,451,137)**	**(1,269,395)**	**(2,074,193)**	**(1,479,208)**	**(1,013,057)**	**(470,188)**	**(1,101,049)**	**(4,726,585)**	**2,626,197**	**(12,958,615)**
Unallocated liabilities										**(2,407)**
Total liabilities										**(12,961,022)**

	As at 31 December 2022									
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic North Eastern Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Eliminations	Total
Segment assets	3,194,409	1,234,660	1,889,591	1,410,944	971,233	459,731	1,147,452	4,949,513	(2,305,474)	12,952,059
Including: *Investments in associates and joint ventures*	*1,439*	–	–	*1*	–	–	*1,010*	*6,300*	–	*8,750*
Unallocated assets										39,512
Total assets										12,991,571
Segment liabilities	(2,931,210)	(1,219,145)	(1,872,761)	(1,364,697)	(960,633)	(462,599)	(1,086,247)	(4,364,445)	2,305,474	(11,956,263)
Unallocated liabilities										(1,786)
Total liabilities										(11,958,049)

The comparative information was prepared in accordance with the categorisation of the current period since the assessment rules of the income and expense distribution between various business segments have been adjusted.

Business information

The Group is engaged predominantly in banking and related financial activities. It comprises corporate banking, personal banking, treasury and other business. Corporate banking mainly comprises corporate loans, bills, trade financing, corporate deposits and remittance. Personal banking mainly comprises personal loans, personal deposits, credit cards and remittance. Treasury mainly comprises money market placements and takings, financial investment, and securities sold under repurchase agreements. Others Business segment mainly comprises items which cannot be categorised in the above business segments.

The business information of the Group is summarised as follows:

	Year ended 31 December 2023				
	Corporate Banking Business	**Personal Banking Business**	**Treasury Business**	**Other Business**	**Total**
External net interest income/(expense)	**84,507**	**23,300**	**56,346**	**(30)**	**164,123**
Inter-segment net interest income/(expense)	**7,061**	**48,702**	**(55,763)**	**–**	**–**
Net interest income/(expense)	**91,568**	**72,002**	**583**	**(30)**	**164,123**
Net fee and commission income	**9,985**	**28,325**	**4,495**	**199**	**43,004**
Net gains/(loss) arising from trading activities	**4,681**	**1,465**	**17,281**	**(203)**	**23,224**
Net (loss)/gains arising from financial investments	**(204)**	**939**	**(8)**	**–**	**727**
Share of profits/(loss) of associates and joint ventures	**46**	**–**	**(15)**	**325**	**356**
Other operating income	**21,506**	**4,087**	**608**	**379**	**26,580**
Total net operating income	**127,582**	**106,818**	**22,944**	**670**	**258,014**
Credit impairment losses	**(30,050)**	**(25,039)**	**(1,818)**	**(1)**	**(56,908)**
Other assets impairment (losses)/reversal	**(1,068)**	**5**	**–**	**1**	**(1,062)**
Other operating expense					
– Depreciation and amortisation	**(3,486)**	**(5,283)**	**(614)**	**(144)**	**(9,527)**
– Others	**(42,419)**	**(42,961)**	**(4,733)**	**(706)**	**(90,819)**
Profit/(loss) before tax	**50,559**	**33,540**	**15,779**	**(180)**	**99,698**
Income tax					**(6,446)**
Net profit for the year					**93,252**
Depreciation and amortisation	**(3,486)**	**(5,283)**	**(614)**	**(144)**	**(9,527)**
Capital expenditure	**(42,813)**	**(3,578)**	**(448)**	**(180)**	**(47,019)**

	Year ended 31 December 2022				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income/(expense)	80,160	45,194	44,551	(23)	169,882
Inter-segment net interest income/(expense)	13,671	24,617	(38,288)	–	–
Net interest income/(expense)	93,831	69,811	6,263	(23)	169,882
Net fee and commission income	10,008	29,919	4,749	179	44,855
Net gains arising from trading activities	3,473	558	13,556	20	17,607
Net (loss)/gains arising from financial investments	(13)	887	(398)	18	494
Share of profits/(loss) of associates and joint ventures	28	(1)	(54)	319	292
Other operating income	17,679	4,988	1,013	536	24,216
Total net operating income	125,006	106,162	25,129	1,049	257,346
Credit impairment (losses)/reversal	(39,700)	(22,262)	1,552	(1)	(60,411)
Other assets impairment losses	(1,891)	(6)	–	–	(1,897)
Other operating expense					
– Depreciation and amortisation	(3,354)	(4,600)	(545)	(151)	(8,650)
– Others	(37,651)	(45,203)	(4,837)	(582)	(88,273)
Profit before tax	42,410	34,091	21,299	315	98,115
Income tax					(6,160)
Net profit for the year					91,955
Depreciation and amortisation	(3,354)	(4,600)	(545)	(151)	(8,650)
Capital expenditure	(27,187)	(3,736)	(416)	(169)	(31,508)

	As at 31 December 2023				
	Corporate Banking Business	**Personal Banking Business**	**Treasury Business**	**Other Business**	**Total**
Segment assets	**6,138,677**	**2,305,171**	**5,534,582**	**41,663**	**14,020,093**
Including:					
Investments in associates and joint ventures	***2,457***	***1,429***	**–**	***5,104***	***8,990***
Unallocated assets					**40,379**
Total assets					**14,060,472**
Segment liabilities	**(5,474,229)**	**(3,620,670)**	**(3,802,004)**	**(57,174)**	**(12,954,077)**
Unallocated liabilities					**(6,945)**
Total liabilities					**(12,961,022)**

	As at 31 December 2022				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
Segment assets	5,447,892	2,267,232	5,191,367	45,568	12,952,059
Including:					
Investments in associates and joint ventures	*2,427*	*1,439*	–	*4,884*	*8,750*
Unallocated assets					39,512
Total assets					12,991,571
Segment liabilities	(5,312,199)	(3,152,334)	(3,424,096)	(63,697)	(11,952,326)
Unallocated liabilities					(5,723)
Total liabilities					(11,958,049)

There were no significant transactions with a single external customer that the Group mainly relied on.

The comparative information was prepared in accordance with the categorisation of the current period since the assessment rules of the income and expense distribution between various business segments have been adjusted.

13 Liquidity risk

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the end of reporting date to the contractual maturity date.

As at 31 December 2023	Overdue	Undated	On Demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets									
Cash and balances with central banks	-	695,143	202,550	-	329	-	-	-	898,022
Due from and placements with banks and other financial institutions	-	-	70,015	336,651	131,534	238,325	70,169	12,948	859,642
Derivative financial assets	-	-	-	7,916	14,014	16,290	17,992	11,175	67,387
Loans and advances to customers	46,696	-	-	518,606	485,650	1,847,322	2,117,921	2,755,865	7,772,060
Financial investments at FVTPL	89	70,471	242,065	15,357	51,042	111,629	88,343	63,286	642,282
Financial investments at amortised cost	1,003	-	-	13,927	69,928	194,362	1,107,467	1,187,224	2,573,911
Financial investments at FVOCI	73	14,683	-	18,815	45,034	124,703	449,115	235,526	887,949
Other assets	2,003	247,290	69,547	-	-	4,165	36,214	-	359,219
Total assets	49,864	1,027,587	584,177	911,272	797,531	2,536,796	3,887,221	4,266,024	14,060,472
Liabilities									
Due to and placements from banks and other financial institutions	-	-	(906,104)	(544,069)	(264,549)	(637,782)	(59,622)	(12,411)	(2,424,537)
Financial liabilities at FVTPL	-	(577)	(11,005)	(1,693)	(1,561)	(14,379)	(27,342)	-	(56,557)
Derivative financial liabilities	-	-	-	(7,795)	(12,030)	(18,144)	(10,465)	(2,541)	(50,975)
Deposits from customers	-	-	(3,191,422)	(878,497)	(687,874)	(1,370,261)	(2,423,158)	(3)	(8,551,215)
Other liabilities	-	-	(92,833)	(138,310)	(329,373)	(676,462)	(329,228)	(311,532)	(1,877,738)
Total liabilities	-	(577)	(4,201,364)	(1,570,364)	(1,295,387)	(2,717,028)	(2,849,815)	(326,487)	(12,961,022)
Net amount on liquidity gap	49,864	1,027,010	(3,617,187)	(659,092)	(497,856)	(180,232)	1,037,406	3,939,537	1,099,450

As at 31 December 2022	Overdue	Undated	On Demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets									
Cash and balances with central banks	–	688,101	117,662	–	339	–	–	–	806,102
Due from and placements with banks and other financial institutions	–	–	135,359	167,125	93,769	212,200	70,862	11,106	690,421
Derivative financial assets	–	–	–	7,404	11,392	14,522	21,553	14,816	69,687
Loans and advances to customers	31,901	–	–	523,562	339,907	1,762,551	1,822,050	2,655,483	7,135,454
Financial investments at FVTPL	276	54,776	282,208	10,301	43,907	178,534	66,400	68,955	705,357
Financial investments at amortised cost	799	–	–	25,067	46,691	523,131	804,463	1,050,624	2,450,775
Financial investments at FVOCI	477	15,323	–	9,069	38,363	306,910	243,875	185,058	799,075
Other assets	2,054	223,001	70,133	–	–	1,908	37,604	–	334,700
Total assets	35,507	981,201	605,362	742,528	574,368	2,999,756	3,066,807	3,986,042	12,991,571
Liabilities									
Due to and placements from banks and other financial institutions	–	–	(812,938)	(391,535)	(245,168)	(530,014)	(44,293)	(10,946)	(2,034,894)
Financial liabilities at FVTPL	–	–	(10,866)	(3,923)	(6,196)	(5,257)	(21,707)	–	(47,949)
Derivative financial liabilities	–	–	–	(8,133)	(10,589)	(13,964)	(10,858)	(3,260)	(46,804)
Deposits from customers	–	–	(3,118,072)	(869,185)	(628,192)	(1,452,998)	(1,880,606)	(19)	(7,949,072)
Other liabilities	–	–	(110,657)	(131,467)	(266,303)	(865,454)	(233,651)	(271,798)	(1,879,330)
Total liabilities	–	–	(4,052,533)	(1,404,243)	(1,156,448)	(2,867,687)	(2,191,115)	(286,023)	(11,958,049)
Net amount on liquidity gap	35,507	981,201	(3,447,171)	(661,715)	(582,080)	132,069	875,692	3,700,019	1,033,522

14 Non-adjusting events after reporting period

Profit distribution after reporting period

On 27 March 2024, the Board of Directors of the Bank proposed to appropriate RMB8,103 million to the statutory reserve and RMB13,175 million to the statutory general reserve. A cash dividend of RMB0.375 (before tax) for each share, totalling RMB27,849 million, calculated based on the total number of shares outstanding of 74,263 million shares (RMB1 per share) as at 31 December 2023 was also proposed. The proposal will be subject to the approval by the General Meeting of Shareholders.

VIII. PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be simultaneously published on the HKEXnews's website at www.hkexnews.hk, as well as the website of the Bank at www.bankcomm.com. This results announcement is extracted from the 2023 annual report prepared in accordance with the IFRSs and the full text of such report will be published on the HKEXnews's website at www.hkexnews.hk, as well as the website of the Bank at www.bankcomm.com for the reference of shareholders and investors. The 2023 annual report prepared in accordance with China Accounting Standards will be available on the website of the Shanghai Stock Exchange at www.sse.com.cn and the website of the Bank at www.bankcomm.com. Investors should read the full text of the annual report for details of annual results. The 2023 annual report prepared in accordance with the IFRSs is expected to be despatched to the shareholders of H shares in April 2024.

This results announcement is prepared in both Chinese and English. Should there be any inconsistency between the Chinese and English versions, the Chinese version should prevail.

By order of the Board of
Bank of Communications Co., Ltd.
Ren Deqi
Chairman of the Board

Shanghai, the PRC
27 March 2024

As at the date of this announcement, the directors of the Bank are Mr. Ren Deqi, Mr. Liu Jun, Mr. Yin Jiuyong, Mr. Zhou Wanfu, Mr. Li Longcheng, Mr. Wang Linping*, Mr. Chang Baosheng*, Mr. Liao, Yi Chien David*, Mr. Chan Siu Chung*, Mr. Mu Guoxin*, Mr. Chen Junkui*, Mr. Luo Xiaopeng*, Mr. Cai Haoyi#, Mr. Shi Lei#, Mr. Zhang Xiangdong#, Ms. Li Xiaohui#, Mr. Ma Jun# and Mr. Wong Tin Chak#.*

* *Non-executive directors*
\# *Independent non-executive directors*