

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA BOHAI BANK CO., LTD.

渤海銀行股份有限公司

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

(Stock Code: 9668)

2023 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the “**Board**”) of CHINA BOHAI BANK CO., LTD. (the “**Bank**”) hereby announces the audited consolidated results of the Bank and its subsidiary for the year ended December 31, 2023. This announcement, containing the full text of the 2023 annual report of the Bank, complies with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited relating to information to accompany preliminary announcements of annual results.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Chinese and English versions of this results announcement are available on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Bank (www.cbhb.com.cn). If there are any discrepancies in interpretations between the Chinese and English versions, the Chinese version shall prevail. The Bank’s 2023 annual report will be published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Bank (www.cbhb.com.cn).

By order of the Board
CHINA BOHAI BANK CO., LTD.
WANG Jinhong
Chairman

Tianjin, China
March 28, 2024

As of the date of this announcement, the Board comprises Mr. WANG Jinhong, Mr. QU Hongzhi, Mr. DU Gang and Mr. ZHAO Zhihong as executive Directors; Mr. AU Siu Luen, Ms. YUAN Wei, Mr. DUAN Wenwu, Mr. HU Aimin and Mr. ZHANG Yunji as non-executive Directors; and Mr. MAO Zhenhua, Mr. CHI Guotai, Mr. MU Binrui, Mr. TSE Yat Hong, Mr. ZHU Ning and Mr. SHUM Siu Hung Patrick as independent non-executive Directors.

Contents

2	Definitions
4	Important Notice
5	Chairman’s Statement
6	President’s Statement
7	Statement of the Chairman of the Board of Supervisors
8	Corporate Profile
9	Awards and Ranking
11	Summary of Accounting Data and Financial Indicators
14	Management Discussion and Analysis
62	Changes in Share Capital and Information on Shareholders
67	Directors, Supervisors, Members of Senior Management, Employees and Branches
83	Corporate Governance
109	Report of the Board of Directors
118	Report of the Board of Supervisors
125	Important Events
129	Audit Report and Financial Report
272	Organizational Structure Chart

Definitions

Articles of Association	the Articles of Association of CHINA BOHAI BANK CO., LTD.
Bank, our Bank, Company, our Company	CHINA BOHAI BANK CO., LTD. (渤海銀行股份有限公司), a joint stock company established on December 30, 2005 in the PRC with limited liability pursuant to the relevant PRC laws and regulations, and its H Shares were listed on the Hong Kong Stock Exchange (Stock Code: 9668)
CBIRC	the former China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
CBRC	the former China Banking Regulatory Commission (中國銀行業監督管理委員會)
Central Bank or PBoC	the People's Bank of China
China Accounting Standards for Business Enterprises	Accounting Standards for Business Enterprises – Basic Standards, specific accounting standards, application guidance and interpretations to the Accounting Standards for Business Enterprises and other regulations issued by the Ministry of Finance of the PRC on and after February 15, 2006
Commercial Banking Law	the Commercial Banking Law of the PRC (中華人民共和國商業銀行法)
Company Law	the Company Law of the PRC (中華人民共和國公司法)
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
date of this annual report	the date on which this annual report was considered and approved by the Board of Directors of the Bank
Domestic Shares	ordinary shares issued by the Bank with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
Fourth "Five-Year Plan"	the Plan for Development Strategy of CHINA BOHAI BANK CO., LTD. (2021-2025) (渤海銀行股份有限公司 2021-2025 年發展戰略規劃)
Group, our Group	the Bank and its subsidiary

H Shares	the overseas listed foreign shares issued by the Bank with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed and traded on the Hong Kong Stock Exchange
HKEX	Hong Kong Exchanges and Clearing Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
IFRS	International Financial Reporting Standards, International Accounting Standards (“IAS”), the related standards, amendments and interpretations issued by the International Accounting Standards Board (“IASB”)
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules
Reporting Period	the year ended December 31, 2023
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council (中華人民共和國國務院國有資產監督管理委員會)
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Tianjin SASAC	the State-owned Assets Supervision and Administration Commission of Tianjin People’s Government

Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and members of the senior management of the Bank undertake that the information contained in this annual report does not include any false records, misleading statements or material omissions, and assume several and joint liabilities for the truthfulness, accuracy and completeness of the content of this annual report.

The Annual Report 2023 of the Bank was considered and approved at the 56th meeting of the fifth session of the Board of Directors on March 28, 2024. 15 Directors should attend the meeting, among which 15 Directors actually attended. Five Supervisors of the Bank attended the meeting as non-voting delegates.

Mr. WANG Jinhong, the legal representative and chairman of the Board of Directors of the Bank, Mr. QU Hongzhi, the president of the Bank, Mr. DU Gang, the person in charge of accounting affairs of the Bank, and Ms. ZHANG Hui, the person in charge of accounting department, hereby warrant the truthfulness, accuracy and completeness of the financial statements in this annual report.

The Profit Distribution Proposal for 2023 of the Bank has been considered and approved at the 56th meeting of the fifth session of the Board of Directors, and the Bank will not perform dividend distribution for 2023. Such profit distribution proposal shall be subject to the consideration and approval of the Shareholders' general meeting. For details, please refer to "Report of the Board of Directors: Profit Distribution" in this annual report.

The Group's 2023 Annual Financial Reports prepared in accordance with the China Accounting Standards for Business Enterprises (中國企業會計準則) and IFRS have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu in accordance with the Auditing Standards for Certified Public Accountants of China and International Standards on Auditing, respectively, and standard unqualified audit reports were issued.

Forward-looking statements such as future plans contained in this annual report do not constitute substantive commitments made by the Bank to its investors. Investors are cautioned against the investment risks and should understand the difference among plans, forecasts and commitments.

This annual report describes in detail the major risks that the Bank faces in its operational management, as well as the corresponding measures taken by the Bank. For details, please refer to the section "Management Discussion and Analysis: Comprehensive Risk Management" in this annual report.

Unless otherwise stated, the financial data and indicators contained in this annual report are prepared in accordance with IFRS, and are consolidated data of the Group and denominated in Renminbi (RMB). Certain amounts and percentage figures included in this annual report have been subject to rounding adjustments. Any discrepancy between the sum and total amounts in the tables is due to rounding.

This annual report is prepared in both Chinese and English. Should there be any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

Chairman's Statement



The year 2023 marked the beginning of the full implementation of the spirit of the 20th National Congress of the Communist Party of China (CPC). Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, China Bohai Bank undertook an extensive theme-based education, and made meticulous efforts to implement the spirit of the Central Economic Work Conference and the Central Financial Work Conference. Focusing on its principal responsibilities and businesses in an impartial and innovative approach, the Bank was committed to maintaining political consciousness and prioritizing the well-being of the people in its financial operation and wholeheartedly dedicated its efforts to serving national strategies, supporting the real economy and improving the welfare of the people, thereby realizing steady development and quality improvement in its operations.

In 2023, while facing the challenging and complicated domestic and global situations, we strengthened Party building by demonstrating resilience and unity. We coordinated the Bank's operation under the principle of "Revitalizing the Existing Assets, Cultivating Incremental Assets and Improving Asset Quality". Taking quality improvement as our fundamental objective with revitalization of existing loans as top priority and crucial element, through cultivating and supporting incremental business, we formulated and arranged quality development strategies, and duly conducted the "Ten Special Tasks". Being innovative and energetic with determination and pragmatic drive, we

continuously refined and clarified our business directions, continuously strengthened our risk management measures and overcame the limitations imposed by the institutional mechanism, thus realizing steady growth in asset size, quality and quantity improvement in the liability business, continuous optimization of the revenue structure and stable asset quality. By attracting talented individuals and dedicating ourselves to strengthening our foundations, we continued to reinforce the concept of healthy development. Attributable to our adherence to serving the real economy with continuous improvement in both quality and efficiency of our financial services, we won numerous awards including the "2023 Gamma Award for Inclusive Financial Services (2023年度普惠金融服務銀行天璣獎)", the "2023 Technology Empowering Financial Institution Award (2023年度科技賦能金融機構獎)", the "Outstanding Award for Financial Consumer Protection Practice (金融消費者保護傑出實踐獎)", the "Trustworthy Wealth Management Bank of the Year (值得託付年度財富管理銀行)", the "2023 Leading Bank in Cross-border Finance (2023年度跨境金融領軍銀行)", the "Pension Financial Service Institution of the Year (年度養老金融服務機構)" and the "Core Competitiveness - Star for Green Development (核心競爭力•綠色發展之星)".

The year 2024 marks the 75th anniversary of the People's Republic of China. It is a crucial year for the implementation of the spirit of the Central Financial Work Conference and the Central Economic Work Conference, as well as the spirit of the important speech made by General Secretary Xi Jinping during his visit to Tianjin. China Bohai Bank will rally more closely around the CPC Central Committee with Comrade Xi Jinping at its core, firmly support the "Two Establishments" and adhere to achieve the "Two Upholds". With the complete, accurate and comprehensive implementation of new development concepts, the Bank will proactively adapt to the new development pattern and participate in its building, and support the quality development of real economy with its quality financial development. Insisting on seeking progress while maintaining stability, promoting stability through progress, and establishing the new before abolishing the old, the Bank will continue to gain insight into timing and trends, strengthen understanding of vision and actions, and coordinate steady and progressive operations. In compliance with the financial rules, the Bank will harness the power of finance for positive impact, seek realistic financial outcomes, and strengthen its self-revolution and missionary commitment. Moreover, it will deepen and refine the "Five Major Developments", striving to build a responsible, professional and refined China Bohai Bank to promote various tasks to work with success, be good at working and making things happen, and heading to China Bohai Bank's new journey of high quality development!

WANG Jinhong

A handwritten signature in black ink, appearing to be 'Wang Jinhong', written in a cursive style.

Chairman
March 28, 2024

President's Statement



In 2023, the senior management of China Bohai Bank diligently adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, firmly defended the principles of the “Two Establishments” and strived to achieve the “Two Upholds”. Our senior management deeply understood the political and people-oriented nature of financial work, keeping political consciousness in mind and prioritizing the well-being of the people in the financial endeavours. In accordance with the directives of the Party Committee of the head office and the Board of Directors, and with a focus on high quality development, our senior management adhered to the fundamental purpose of serving the real economy. With a systemic and comprehensive mindset, our senior management put every effort in maintaining steady progress in business development through an impartial and innovative approach.

In 2023, we were determined to fulfill our missionary commitment. We achieved new results in serving the real economy by intensifying and solidifying the “Five Major Developments”. Our business structure experienced positive enhancement through solid business transformation. New areas of growth were cultivated by the improvements of our fundamentals. Through strengthening and coordination of policy making, our asset quality had been stabilizing. As of the end of the

Reporting Period, our total assets amounted to RMB1,732.734 billion, representing a year-on-year increase of 4.42%; total liabilities amounted to RMB1,618.331 billion, representing a year-on-year increase of 4.44%; and net assets amounted to RMB114.403 billion, representing a year-on-year increase of 4.05%. Net assets per share attributable to ordinary Shareholders of the Bank was RMB5.32, representing an increase of RMB0.25 as compared to the end of the previous year. The non-performing loan ratio of the Bank was 1.78%, which was basically the same as that of the previous year. Our development was stable as a whole.

Our achievements would not have been possible without the support of various parties. These achievements are also attributable to the hard work of the Bank's cadres and employees. We are grateful for the support and love from all walks of life for China Bohai Bank, as well as the hard work and dedication of all cadres and employees.

In 2024, the senior management of China Bohai Bank will adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and fully implement the spirit of the 20th CPC National Congress and the spirit of the Central Financial Work Conference and the Central Economic Work Conference. In addition, we will study, publicize and implement the spirit of the important speech made by General Secretary Xi Jinping during his visit to Tianjin. Adhering to the decision and deployment of the CPC Central Committee and the State Council, we will fully comply with the requirements of the regulatory policies, insist on the general principle of seeking progress while maintaining stability, promoting stability through progress, and establishing the new before abolishing the old. By applying the methodology of “stability” to anchor the breakthroughs of “progress” and strengthen the initiative of “construction”, we will conduct our work in a pragmatic but innovative manner, and actively make progress in mode switching, structural adjustment, quality improvement and efficiency growth, thereby promoting high quality development with new accomplishments.

QU Hongzhi

A handwritten signature in black ink, appearing to read 'QU Hongzhi', written in a cursive style.

President
March 28, 2024

Statement of the Chairman of the Board of Supervisors



In 2023, as guided by the spirit of the 20th CPC National Congress, the Board of Supervisors of China Bohai Bank consistently adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, studied to understand the significance of the construction of a financial power for Chinese-style modernization. Adhering to the implementation of the decisions and deployments of the Party Central Committee as well as meeting the work requirements of the Tianjin Municipal Party Committee and the Tianjin Municipal Government, the Board of Supervisors faithfully performed its duties under the laws and regulations and the Articles of Association. Bolstering the confidence to forge ahead with a focus on the “Ten Special Tasks”, the Board of Supervisors continuously improved the quality and efficiency of supervision, thereby playing a positive role in facilitating the planning and implementation of the high quality development strategy.

During the Reporting Period, the Board of Supervisors of the Bank earnestly performed its supervisory functions. It improved the duty performance supervision by urging the Board of Directors, the senior management and their members to duly perform their duties and responsibilities. Moreover, the Board of Supervisors enhanced the financial supervision by paying close attention to the Bank’s important

financial decisions and their implementation, as well as the internal control supervision by focusing on the improvement in internal control effectiveness and compliance levels. It also optimized risk management supervision by diligently promoting the establishment of the comprehensive risk management capability. With the strengthening of self-construction, improvement in mechanisms and systems and coordination enhancement, the Board of Supervisors conducted on-site research and special training, thereby striving to improve its working standards.

There are trials and hardships along the path ahead, and the only way to overcome difficulties is to fearlessly confront them. As the year 2024 marks the 75th anniversary of the People’s Republic of China, it is all the more important to uphold the mission and strive diligently. The Board of Supervisors of China Bohai Bank will work on being well-versed in implementing the spirit of the Central Financial Work Conference and the Central Economic Work Conference, the spirit of the important speech made by General Secretary Xi Jinping during his visit to Tianjin, and the spirit of the fifth session of the 12th CPC Tianjin Municipal Committee. It will firmly support the “Two Establishments” and strive to achieve the “Two Upholds”. Insisting on seeking progress while maintaining stability, promoting stability through progress, and establishing the new before abolishing the old, the Board of Supervisors will also focus on the mission and practice of the high quality development of the Bank. The quality and effectiveness of its “supervision” will be improved in the key areas and important issues. Working for “accomplishment of good deeds”, the Board of Supervisors will continuously drive the “Ten Special Tasks” in a deeper and practical manner to help the Bank perform well in the “Five Major Developments”, to fulfill and take up new requirements and missions of the financial sector in a new era with successful, improved and effective high quality development.

WANG Chunfeng

A handwritten signature in black ink, appearing to read 'Wang Chunfeng', written in a cursive style.

**Chairman of the Board of Supervisors
March 28, 2024**

Corporate Profile

- I. **Legal Chinese Name:** 渤海銀行股份有限公司 (Abbreviation: 渤海銀行)
- II. **Legal English Name:** CHINA BOHAI BANK CO., LTD. (Abbreviation: CBHB)
- III. **Legal Representative:** WANG Jinhong
- IV. **Authorized Representatives:** DU Gang and ZHANG Xiao
- V. **Secretary to the Board of Directors:** DU Gang
Joint Company Secretaries: DU Gang and ZHANG Xiao
- VI. **Registered Address and Office Address:** 218 Haihe East Road, Hedong District, Tianjin
Postcode: 300012
International Website: www.cbhb.com.cn
Customer Service and Complaints Hotline: (86) 95541, (86) 400 889 5541 (credit card business)
Investor Hotline: (86) 22-5878 9668
E-mail: IR@cbhb.com.cn
Fax: (86) 22-5831 6529
- VII. **Principal Place of Business in Hong Kong:** Suites 1201-1209 and 1215-1216, 12/F, Two International Finance Centre, Central, Hong Kong
- VIII. **Websites for Information Disclosure:** website of the HKEX (www.hkexnews.hk) and website of the Bank (www.cbhb.com.cn)
Place where the annual report is kept: Office of the Board of Directors of the Bank
- IX. **Listing Stock Exchange of H Shares:** Hong Kong Stock Exchange
Stock Short Name: CBHB
Stock Code: 9668
- X. **Share Registrar**
Domestic Shares: China Securities Depository and Clearing Corporation Limited
No.17 Tai Ping Qiao Street, Xicheng District, Beijing
H Shares: Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
- XI. **Legal Advisors**
As to PRC Laws: Commerce & Finance Law Offices
12-14th Floor, China World Office 2, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing
As to Hong Kong Laws: Paul Hastings
22/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong
- XII. **Auditors**
Domestic Accounting Firm: Deloitte Touche Tohmatsu Certified Public Accountants LLP
30/F, 222 Yan An Road East, Huangpu District, Shanghai
Certified Public Accountants for signature: LIU Wei and ZHANG Guannan
International Accounting Firm: Deloitte Touche Tohmatsu
35/F, One Pacific Place, 88 Queensway, Hong Kong
- XIII. **Other Relevant Information**
Initial Registration Date: December 30, 2005
Registered Capital: RMB17,762 million
Unified Social Credit Code: 911200007109339563
Financial License Institution Serial Number: B0017H112000001

Awards and Ranking

In 2023, the Bank ranked 124th among the “Top 1000 World Banks” by the British magazine, The Banker.

The Bank ranked 258th in the “Fortune 500 China” list.

In 2023, the Bank ranked 23rd in the “Growth Leadership (成長力領先力)” list of China banking industry by the Time Weekly.

At the 2023 Banking Industry ESG Development Practice Cases (2023銀行業ESG發展實踐案例) hosted by China Banking and Insurance News, the Bank won the “Technology Empowering ESG Development Case (科技賦能ESG發展案例)” award and the “Green Finance Innovation Case (綠色金融創新案例)” award.

At the 2023 China Banking Industry Gamma Award (2023中國銀行業天璣獎) hosted by Securities Times, the Bank won the “2023 Gamma Award for Inclusive Financial Services (2023年度普惠金融服務銀行天璣獎)”.

At the 2023 Shanghai Global Asset Management Conference and “Golden Hazel” Excellence Case in Asset Management Competitiveness (2023上海全球資產管理年會暨「金榛子」資管競爭力卓越案例) hosted by the Financial Association, the Bank won the “Golden Hazel Award for Excellence in Fintech (卓越金融科技實力金榛子獎)”.

At the 8th Times Financial Golden Tangerine Award (第八屆時代金融金桔獎) hosted by the Time Weekly, the Bank won the “2023 Technology Empowering Financial Institution Award (2023年度科技賦能金融機構獎)”.

In the collection of the 21st Century Outstanding Cases of Financial Development (2023) (21世紀金融發展優秀案例(2023年)) hosted by 21st Century Business Herald, the Bank won the “2023 Corporate Service Bank of the Year (2023年度企業服務銀行)” and the “2023 Retail Bank of the Year (2023年度零售銀行)”.

At the 2023 Thinking Finance Investor Conference and “Golden Bridge Award” (2023思維財經投資者年會暨「金橋獎」) hosted by INVESTOR CHINA, the Bank won the “2023 Outstanding Customer Service Commercial Bank of the Year (2023年度優秀客戶服務商業銀行)”.

At the 14th China Financial Development Forum and China Golden Censer (Finance) (第十四屆中國金融發展論壇暨中國金鼎獎(金融)) award ceremony hosted by National Business Daily, the Bank won the “Annual Excellence in Technology Finance Award (年度卓越科技金融獎)”.

At the 21st Financial Champion Awards Selection in the Bank Industry (第二十一屆財經風雲榜銀行業評選) hosted by hexun.com, the Bank won the “2023 Leading Bank in Cross-border Finance (2023年度跨境金融領軍銀行)”.

At the 2023 (7th) CSR Development Forum (2023 (第七屆) 企業社會責任發展論壇) outstanding cases selection hosted by Beijing Business Today, the Bank won the “2023 CSR Low-Carbon Sample (2023企業社會責任低碳榜樣)”.

At the “Golden Jubilee Award” selection hosted by China Investment Network, the Bank won three awards, namely the “2023 Outstanding Bank (2023優秀銀行)”, the “2023 Outstanding Financial Service Bank (2023優秀金融服務銀行)” and the “2023 Pioneer of Digital Life Innovation (2023數字生活創新先鋒)”.

At the “2023 ESG Pioneer 60 (2023 ESG先鋒60)” selection hosted by Jiemian News, the Bank won the “ESG Green Finance Award of the Year (年度ESG綠色金融獎)”.

At the 2023 Consumer Finance Forum (2023年度消費金融論壇) and the launch ceremony of the 6th “Treasurer’s Brand Project (司庫品牌計劃)” hosted by WEMONEY, the Bank won the “2023 Bank with Outstanding Services for the Real Economy (2023年度卓越服務實體銀行)” award.

In the selection of the 17th Huaxia Institutional Investor Annual Conference (Golden Cicada Award) (第十七屆華夏機構投資者年會(金蟬獎)榜單) hosted by China Times, the Bank won the “2023 Outstanding Credit Card Service Bank (2023年度優秀信用卡服務銀行)” award.

In the selection of the “Golden Brand (金字招牌)” of the financial industry hosted by Beijing News, the Bank won the “2023 New Product Innovator (2023年度新銳產品創新者)”.

At the 2023 (11th) Best Banking Awards (2023 (第十一屆) 銀行綜合評選) hosted by Sina Finance, the Bank won the “Bank of the Year for Contributing to Pension Financial Services (年度養老金融服務貢獻銀行)”.

At the 2023 China International Economic Management Technology Forum and the 2023 ESG and High Quality Development Summit (2023中國國際經濟管理技術論壇暨2023 ESG與高質量發展峰會), the Bank won the “Core Competitiveness – Star for Green Development (核心競爭力 • 綠色發展之星)” award.

At the 12th Financial Leadership China “Golden Intelligence Award (第十二屆金融界領航中國「金智獎」)” hosted by jrj.com, the Bank won the “Outstanding Small and Micro Service Award (傑出小微服務獎)”.

At the Financial Consumer Protection Seminar promoted by jrj.com, the Bank won the “Outstanding Award for Financial Consumer Protection Practice (金融消費者保護傑出實踐獎)”.

At the 2023 Retail Bank • Jiefu Award (2023 年度零售銀行 • 介甫獎) ceremony hosted by Finance Vision China, the Bank won the “Outstanding Retail Bank in Wealth Management Award (卓越財富管理零售銀行獎)”. At the 14th Fund and Wealth Management • Jiefu Award ceremony hosted by Finance Vision China, CBHB Wealth Management Co., Ltd. (渤銀理財有限責任公司), a subsidiary of the Bank, won the “Outstanding Wealth Management Banking Subsidiary Award (優秀銀行理財子公司獎)” and the wealth management products of the Company won the “Outstanding Net Value Wealth Management Products Award (優秀淨值型理財產品獎)”.

At the Asset Management and Wealth Management Industry Development Summit 2023 and the third “Golden Honor Award (2023資產管理與財富管理行業發展大會暨第三屆「金譽獎」)” ceremony hosted by PYSTANDARD, the Bank won three awards, namely “Excellent Wealth Management Bank (卓越財富管理銀行)”, “Excellent Private Bank (卓越私人銀行)” and “Bank with Outstanding Wealth Service Capability (卓越財富服務能力銀行)”.

At the 2023 Asset Management Summit Forum and the Trustworthy Financial Institutions Gala organized by Economic Observer, the Bank won two awards, namely “Pension Financial Service Institution of the Year” and “Wealth Management Bank of the Year”.

At the 7th China Customer Service Festival organized by China Information Industry Association Customer Contact Center Branch, the Bank won the “Best Learning Organization Award” in the banking industry.

In the 2023 “Golden Video Award • First Banking Short Video Competition (金視頻獎 • 首屆銀行業短視頻評選大賽)” held by Sina Finance, the Bank won the Best Production Award for its new media video “Guard a Better Life, as We Always Do (《守護美好生活 · 我們一直都在》)”.

At the 8th Wealth APAC Forum and the 2023 International Private and Family Wealth Management Industry Awards Ceremony hosted by the Wealth Magazine, the Bank won the “Most Growing Private Bank in Mainland China” award.

Summary of Accounting Data and Financial Indicators

I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS

(Unit: RMB'000)

	2023	2022	Increase (decrease) (%)	2021	2020	2019
Operating results data:						
Operating income	24,997,370	26,465,220	(5.55)	29,194,364	32,492,170	28,378,394
Profit before taxation	5,163,077	6,511,454	(20.71)	10,303,797	10,085,092	9,901,850
Net profit	5,080,903	6,107,475	(16.81)	8,629,724	8,444,571	8,192,756
Net profit attributable to equity holders of the Bank	5,080,903	6,107,475	(16.81)	8,629,724	8,444,571	8,192,756
Net cash flows generated from operating activities	81,308,605	26,830,977	203.04	82,987,687	52,085,407	(41,679,518)
Indicators per share (RMB):						
Basic earnings per share attributable to ordinary Shareholders of the Bank	0.23	0.29	(20.69)	0.43	0.47	0.57
Diluted earnings per share attributable to ordinary Shareholders of the Bank	0.23	0.29	(20.69)	0.43	0.47	0.57
Net cash flows generated from operating activities per share	4.58	1.51	203.31	4.67	3.27	(2.88)
Financial ratios (%):						
Average return on total assets ⁽¹⁾	0.30	0.38	a decrease of 0.08 percentage point	0.58	0.67	0.76
Weighted average return on net assets ⁽²⁾	4.48	5.81	a decrease of 1.33 percentage points	8.88	10.68	13.71
	December 31, 2023	December 31, 2022	Increase (decrease) (%)	December 31, 2021	December 31, 2020	December 31, 2019
Scale indicators:						
Total assets	1,732,733,836	1,659,459,902	4.42	1,582,707,598	1,393,523,125	1,116,930,025
Gross loans and advances to customers ⁽³⁾	932,644,435	957,216,978	(2.57)	955,355,247	887,537,545	708,057,530
Total liabilities	1,618,331,135	1,549,508,868	4.44	1,476,143,521	1,290,277,295	1,034,291,428
Gross deposits from customers ⁽³⁾	915,161,978	843,873,695	8.45	820,589,157	746,725,783	637,934,899
Total equity	114,402,701	109,951,034	4.05	106,564,077	103,245,830	82,638,597
Net assets per share attributable to ordinary Shareholders of the Bank (RMB) ⁽⁴⁾	5.32	5.07	4.93	4.88	4.69	4.34
Share capital	17,762,000	17,762,000	-	17,762,000	17,762,000	14,450,000

Notes: (1) Average return on total assets equals net profit divided by average value of total assets at the beginning and end of the period.

(2) Weighted average return on net assets is calculated pursuant to the Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 9): Calculation and Disclosure of Rate of Return on Equity and Earnings per Share (2010 Revision) (《公開發行證券的公司信息披露編報規則第 9 號—淨資產收益率和每股收益的計算及披露(2010 年修訂)》) issued by the CSRC.

(3) Gross loans and advances to customers and gross deposits from customers exclude interests accrued.

(4) Net assets per share attributable to ordinary Shareholders of the Bank equals equity attributable to holders of ordinary shares of the Bank at the end of the period, which has excluded other equity instruments, divided by total share capital at the end of the period.

II. SUPPLEMENTARY FINANCIAL INDICATORS

(Unit: %)

	2023	2022	Changes	2021	2020	2019	
Profitability indicators:							
Net interest spread ⁽¹⁾	1.19	1.45	a decrease of 0.26 percentage point	1.61	2.18	2.04	
Net interest margin ⁽²⁾	1.14	1.50	a decrease of 0.36 percentage point	1.72	2.35	2.22	
Cost-to-income ratio ⁽³⁾	40.51	39.24	an increase of 1.27 percentage points	32.88	26.52	29.50	
	December 31, 2023	December 31, 2022	Changes	December 31, 2021	December 31, 2020	December 31, 2019	
Asset quality indicators:							
NPL ratio ⁽⁴⁾	1.78	1.76	an increase of 0.02 percentage point	1.76	1.77	1.78	
Allowance coverage ratio ⁽⁵⁾	156.94	150.95	an increase of 5.99 percentage points	135.63	158.80	187.73	
Allowance to gross loan ratio ⁽⁶⁾	2.79	2.65	an increase of 0.14 percentage point	2.39	2.81	3.34	
Capital adequacy indicators⁽⁷⁾:							
Capital adequacy ratio ⁽⁸⁾	11.58	11.50	an increase of 0.08 percentage point	12.35	12.08	13.07	
Tier 1 capital adequacy ratio ⁽⁸⁾	10.01	9.94	an increase of 0.07 percentage point	10.76	11.01	10.63	
Core tier 1 capital adequacy ratio ⁽⁸⁾	8.17	8.06	an increase of 0.11 percentage point	8.69	8.88	8.06	
Leverage ratio ⁽⁹⁾	5.48	5.43	an increase of 0.05 percentage point	5.66	6.32	6.22	
Other indicators:							
Liquidity ratio	RMB	53.32	57.25	a decrease of 3.93 percentage points	56.68	48.70	59.98
	Foreign currency against RMB	237.53	242.36	a decrease of 4.83 percentage points	97.69	165.37	214.20
	Total	58.40	63.11	a decrease of 4.71 percentage points	59.28	53.40	63.85
Proportion of loans to the single largest customer ⁽¹⁰⁾		6.34	6.71	a decrease of 0.37 percentage point	8.43	8.10	6.37
Proportion of loans to top ten customers ⁽¹⁰⁾		46.48	50.05	a decrease pf 3.57 percentage points	56.43	50.57	48.13
Inter-bank (RMB) borrowings ratio	Inter-bank	2.16	1.90	an increase of 0.26 percentage point	0.27	0.37	0.42
	Inter-bank loans ratio	0.76	1.18	a decrease of 0.42 percentage point	0.64	0.27	0.32

- Notes:
- (1) Net interest spread is calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
 - (2) Net interest margin is calculated by dividing net interest income by the average balance of total interest-earning assets.
 - (3) Cost-to-income ratio is calculated by dividing total operating expenses (excluding tax and surcharges, etc.) by operating income.
 - (4) NPL ratio equals the balance of non-performing loans divided by gross loans and advances to customers (excluding interests accrued).
 - (5) Allowance coverage ratio equals the sum of allowance for impairment losses on the loans measured at amortized cost and allowance for impairment losses on the loans measured at fair value through other comprehensive income divided by the NPL balances.
 - (6) Allowance to gross loan ratio equals the sum of allowance for impairment losses on the loans measured at amortized cost and allowance for impairment losses on the loans measured at fair value through other comprehensive income divided by gross loans and advances to customers (excluding interests accrued).
 - (7) According to the relevant requirements of the Regulatory Requirement on Information Disclosure of Capital Composition in Commercial Banks (《關於商業銀行資本構成信息披露的監管要求》) and the Leverage Ratio Rules for Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》), the Group disclosed the capital composition, leverage ratio and other statements for the Reporting Period on the website of the Bank (www.cbhb.com.cn).
 - (8) The Group calculates the capital adequacy ratios for each tier according to the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》).
 - (9) The Group calculates the leverage ratio according to the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), the Leverage Ratio Rules for Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》) and China Accounting Standards for Business Enterprises (中國企業會計準則).
 - (10) Proportion of loans to the single largest customer and proportion of loans to top ten customers are the ratio of the gross loan of the single largest customer to the net capital and the ratio of the gross loan of the top ten customers to the net capital, respectively.

Management Discussion and Analysis

I. ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENT IN 2023

In 2023, global monetary policies tightened and the impact of continuous high interest rates became visible. Global demand decreased, international trade growth remained at a relatively low level and production sentiment around the globe gradually declined. As extreme weather intensified and local conflicts continued, the economic development was widely different across the globe, while showing a certain degree of resilience overall. The US economy was stronger than expected, which widened the economic price scissors with non-US economies. The US dollar index oscillated at a high level and international financial markets were under pressure. The growth momentum of the global economy weakened continuously and economic growth has declined for two consecutive years.

In 2023, China's economy recovered and gained momentum, while maintaining stable and high-quality development. In 2023, the gross domestic product (GDP) increased by 5.2% year-on-year, the total retail sales of consumer goods increased by 7.2% year-on-year, the national fixed asset investment increased by 3.0% year-on-year, and the total import and export of goods increased by 0.2% year-on-year. During the year, the Consumer Price Index (CPI) increased by 0.2% year-on-year, the Producer Price Index (PPI) decreased by 3.0% year-on-year, and prices were running at a low level. The economy is still facing problems and challenges such as a lack of effective demand, overcapacity in certain industries, and weak social expectations. Overall, the opportunities facing China's development outweigh the challenges, the favorable conditions outweigh the unfavorable factors, and the fundamentals towards a long-term economic growth remain unchanged.

In 2023, sound monetary policies were implemented precisely and effectively, which strengthened the counter-cyclical adjustment in a timely manner and led to an overall economic recovery. The PBoC lowered the deposit reserve ratio twice to maintain reasonably abundant liquidity and retain an appropriate amount and stable pace of monetary credit. At the end of December 2023, the broad money supply (M2) balance was RMB292.27 trillion, an increase of 9.7% year-on-year; the existing social financing scale amounted to RMB378.09 trillion, an increase of 9.5% year-on-year; RMB loans increased by RMB22.75 trillion during the year, an increase of RMB1.31 trillion year-on-year. The balance of RMB loans issued to the real economy was RMB235.48 trillion, up 10.4% year-on-year. The exchange rate of RMB remained fundamentally stable at a reasonable equilibrium level.

In 2023, the Central Financial Work Conference called for comprehensively strengthening supervision, preventing and mitigating risks, and resolutely taking the road of financial development with Chinese characteristics. The National Financial Regulatory Administration was established closely focusing on robust supervision and stringent regulation by comprehensively reinforcing the "Five Approaches to Supervision (五大監管)", establishing a last-resort supervisory mechanism, and resolving to proceed with "sharp and tough" supervision and resolutely safeguarding the legitimate rights and interests of financial consumers. The market-oriented interest rate determination and transmission mechanism was consistently improved. The policy rate was lowered twice, resulting in a decrease of 0.2 and 0.1 percentage point of the one-year and over-five-year loan prime rate (LPR) respectively, thus promoting a steady decrease in the financing costs of the real economy. The major banks lowered their board interest rates of deposits and internal pricing authorizations three times in accordance with changes in market interest rates to stabilize the cost of bank liabilities and create favorable conditions for lowering the costs of financing for enterprises and household consumer credit. The overall operation of the financial sector was stable, with risks generally under control, and the support for key areas and weak links of the national economy continued to increase, helping accelerate the construction of a modernized industrial system and gain momentum of economic development.

II. DEVELOPMENT STRATEGIES

Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank thoroughly studied and implemented the spirit of the 20th Party Congress, the Central Financial Work Conference and the Central Economic Work Conference, adhered to the Party's overall leadership over financial work, deeply grasped keeping political consciousness in mind and putting people first in the financial work, kept in mind the attributes of small and medium-sized financial institutions, firmly established the political consciousness of providing high-quality financial services for economic and social development, persisted in the financial culture with Chinese characteristics, and promoted deepening reform, transformation and revitalization along the road of financial development with Chinese characteristics. The Bank took quality improvement as the premise and foundation, revitalizing the existing loans as the urgent need and key, cultivating the increment assets as the path and support, adhered to organic driven growth, and strived to promote the "Ten Special Tasks", namely "full and rigorous Party governance, recovery of distressed assets, capital replenishment, liquidity, customer base and business structure, asset circulation, risk control and compliance, cost reduction and efficiency enhancement, talent recruitment, and self-improvement at branch level". The Bank started a new journey to achieve high-quality development through transformation and revitalization, and strived to make China Bohai Bank a modern financial enterprise with Chinese characteristics with strong political guidance, clear strategic positioning, effective corporate governance, improved business quality and efficiency, controllable overall risks and healthy and sustainable development. With the mission of "serve the national strategy, serve the real economy and serve the good life, create sustainable value for shareholders, create a broad stage for employees and fulfill legal person responsibility for society", the Bank took "customer first, endeavor-oriented, agility as the essence, innovation as the soul, and compliance as the lifeblood" as its values, focused on the principal responsibilities and businesses, set foot on the new development stage, implemented the new development concept, and integrated into the new development pattern. The Bank had always adhered to the alignment of economic responsibilities and social responsibilities, comprehensively promoted the construction of a green financial system, prevented and controlled environmental, social and governance risks, and contributed to the formation of a green production and lifestyle and the realization of "carbon peaking and carbon neutrality".

In terms of business model, the Bank continued to strengthen the traditional main business, vigorously developed intermediary business, actively carried out innovative business, and strived to meet the standards of a good bank. In terms of customer service, the Bank provided customers with "all-round", "full-chain", "full-cycle" and "all-the-world" solutions, covering all aspects of customers' financial needs, running through customers' lives, production and others, and accompanying customers in their growth. In terms of support system, the Bank made efforts to optimize its organization structure, team building, assessment and incentives, deepen risk management and operation management, strengthen its innovation mechanism and technological support to achieve all-round management quality and efficiency improvement.

In terms of business strategy, the Bank focused on serving the national strategic objectives and the real economy and Tianjin's "Ten Actions", made great efforts to promote the coordinated linkage of the three business lines of corporate business, retail business and financial markets, and promoted the transformation and development closely around the "Five Major Developments", namely technology finance, green finance, inclusive finance, pension finance and digital finance, so as to realize the development of both supporting the real economy and its own high-quality development. For the corporate banking business, the Bank was positioned as an industrial bank, transaction bank and light-model bank, focusing on building an industrial strategic customer base, specializing in serving basic and special customer bases, growing the government agency customer base and expanding regional key customer bases. The Bank improved the five supporting systems of risk coordination, resource allocation, assessment and incentives, marketing team and digital empowerment, and built six product centers, namely Bond Center, Bill Center, Supply Chain Center, Cash Management Center, International Business Center and Innovation Business Center. For the retail banking business, the Bank was positioned as an account-oriented bank, a wealth management bank and an eco-friendly bank, and focused on strengthening four life-cycle customer base, namely, Botai, Boda, Borui and Bozai, refining the investment and financing customer bases, expanding the ecosystem scenario customer base and extending the business circle customer base. The Bank built three product systems of "Boyin E-payment", "Boyin E-finance" and "Boyin E-loan", and realized the four support systems of channel construction, digital operation, assessment and evaluation, and team building. For the financial markets business, the Bank was positioned as a bond bank, an asset management bank and an agency bank. By consolidating the interbank customer base construction, focusing on sales and trading capabilities, improving the financial product system, deepening the financial technology empowerment, taking investment and research capabilities as the core, trend management as the starting point, and customer service as the orientation, the Bank provided customers with comprehensive financial solutions to build a leading FICC business center.

III. SCOPE OF BUSINESSES

The business scope of the Bank includes: absorbing public deposits; offering short-term, medium-term and long-term loans; arranging settlement of domestic and international accounts; handling acceptance and discount of bill; issuing financial bonds; acting as agent to issue, settle and underwrite government bonds and proprietary trading bonds issued by government and financial institutions; inter-bank borrowing and lending; trading of foreign currencies by itself and on behalf of its customers; bank card business; letters of credit and financial guarantees; acting as agent on inward and outward payments and insurance agency; offering safe-deposit facilities and other business approved by the regulatory authorities.

IV. OVERALL OPERATING PERFORMANCE

During the Reporting Period, while facing the complex changes in the domestic and international economic situation, the Group closely followed the national macro policies, proactively complied with the regulatory requirements under guidance of the deployment of the central government's economic work, and served the national strategies by continuously strengthening the financial support for the real economy. The Group firmly implemented the strategy of "ten special tasks", centered on the two core tasks of management and services, optimized its business layout, increased investment in scientific and technological innovation, strengthened comprehensive risk management, and made every effort to promote high-quality transformation and development. During the Reporting Period, the Group achieved an operating income of RMB24,997 million and a net profit of RMB5,081 million with the solid and effective implementation of its strategies.

Steady asset growth to actively support the real economy

As of the end of the Reporting Period, the total assets of the Group amounted to RMB1,732,734 million, representing an increase of RMB73,274 million or 4.42% as compared to the end of the previous year. In particular, net loans and advances to customers amounted to RMB920,395 million, representing a decrease of RMB22,328 million or 2.37% as compared to the end of the previous year. Financial support for manufacturing, private small and micro enterprises, green finance, and agriculture-related fields continuously grew to actively contribute to the expansion of domestic demand and strongly support rural revitalization. The growth of loans in key sectors significantly outpaced the growth of general loans.

Continuous optimization of the liability structure with steady cost reduction

As of the end of the Reporting Period, the total liabilities of the Group amounted to RMB1,618,331 million, representing an increase of RMB68,822 million or 4.44% as compared to the end of the previous year. In particular, deposits from customers amounted to RMB934,594 million, representing an increase of RMB70,660 million or 8.18% as compared to the end of the previous year, a steady growth in its size. During the Reporting Period, the Group focused on the core objective of "deposit development" by continuously optimizing its liability product system, consolidating its customer infrastructure, reinforcing active liability management, expanding stable sources of liabilities through multiple channels, continuously strengthening the control over the quality of its liabilities, optimizing its liability structure, and increasing the sources of low-cost demand deposits, thereby effectively lowering the cost of interest paid on deposits.

Solid promotion of the retail transformation strategy with consistent improvement in structure and growth

For the liability business, the Group continued to diversify its retail product portfolio. The Group strengthened the management of marketing and structure optimization of the wealth business, promoted the development of its private banking business, and enhanced the number of high-end customers, enabling public-private linkage to accelerate. As of the end of the Reporting Period, the total retail deposit was RMB201,002 million, representing an increase of 19.13% as compared to the end of the previous year, which was significantly higher than the average growth rate of deposits. For the asset business, the restructuring of the platform lending assets began to pay off with the accelerated formation of housing mortgage assets and the functional positioning of the credit card business returning back to its origin.

Asset quality risks under control

As of the end of the Reporting Period, the balance of the non-performing loans of the Bank amounted to RMB16,558 million, representing a decrease of RMB249 million as compared to the end of the previous year. The NPL ratio was 1.78%, which increased by 0.02 percentage point as compared to the end of the previous year. Allowance for loan loss was adequate, and the allowance for loan impairment of the Bank was RMB25,987 million, representing an increase of RMB617 million as compared to the end of the previous year, whereas financial investment impairment provisions was RMB8,875 million and other impairment provisions was RMB1,244 million. The allowance to gross loan ratio was 2.79%, and the allowance coverage ratio was 156.94%. Asset quality was stable and allowance indicators met the regulatory requirements.

V. ANALYSIS OF FINANCIAL STATEMENTS

(I) Items in the Consolidated Statement of Profit or Loss and Other Comprehensive Income

1. Changes in items in the consolidated statement of profit or loss and other comprehensive income

During the Reporting Period, the Group realized a net profit of RMB5,081 million, representing a decrease of 16.81% as compared to the previous year.

The following table sets forth the changes in items in the consolidated statement of profit or loss and other comprehensive income of the Group for the periods indicated:

(Unit: RMB'000)

	2023	2022	Change	Increase (decrease) (%)
Net interest income	17,645,989	22,668,539	(5,022,550)	(22.16)
Net non-interest income	7,351,381	3,796,681	3,554,700	93.63
Operating income	24,997,370	26,465,220	(1,467,850)	(5.55)
Operating expenses	(10,713,146)	(10,900,887)	187,741	(1.72)
Impairment losses on assets	(9,121,147)	(9,052,879)	(68,268)	0.75
Profit before taxation	5,163,077	6,511,454	(1,348,377)	(20.71)
Income tax expense	(82,174)	(403,979)	321,805	(79.66)
Net profit	5,080,903	6,107,475	(1,026,572)	(16.81)
Total comprehensive income	5,401,667	5,882,251	(480,584)	(8.17)

2. Net interest income

During the Reporting Period, the net interest income of the Group amounted to RMB17,646 million, representing a decrease of 22.16% as compared to the previous year.

(1) Net interest spread and net interest margin

During the Reporting Period, the net interest spread of the Group was 1.19%, representing a decrease of 0.26 percentage point as compared to the previous year; and the net interest margin was 1.14%, representing a decrease of 0.36 percentage point as compared to the previous year.

The following table sets forth the interest-earning assets and interest-bearing liabilities of the Group for the periods indicated:

(Unit: RMB'000)

	2023			2022		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Assets:						
Loans and advances to customers	931,830,896	43,820,512	4.70	960,600,765	47,026,476	4.90
Financial investments	448,723,364	13,722,231	3.06	404,335,870	12,523,760	3.10
Deposits with the central bank	80,229,630	1,062,880	1.32	77,708,370	972,867	1.25
Deposits with banks and other financial institutions	36,192,357	329,974	0.91	36,663,690	263,123	0.72
Placements with banks and other financial institutions	21,770,407	887,569	4.08	17,446,204	664,333	3.81
Financial assets held under resale agreements	28,420,243	494,594	1.74	10,382,763	151,872	1.46
Total interest-earning assets	1,547,166,897	60,317,760	3.90	1,507,137,662	61,602,431	4.09
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Liabilities:						
Deposits from customers	897,194,738	24,454,658	2.73	817,088,541	21,859,585	2.68
Deposits from banks and other financial institutions	197,615,460	5,129,480	2.60	221,512,864	5,740,662	2.59
Placements from banks and other financial institutions	34,255,088	1,413,741	4.13	40,649,317	624,212	1.54
Financial assets sold under repurchase agreements	43,786,250	775,769	1.77	42,897,241	784,380	1.83
Debt securities issued	269,743,325	7,331,223	2.72	257,159,489	7,071,366	2.75
Borrowing from the central bank	130,294,712	3,566,900	2.74	97,726,214	2,853,687	2.92
Total interest-bearing liabilities	1,572,889,573	42,671,771	2.71	1,477,033,666	38,933,892	2.64
Net interest income		17,645,989			22,668,539	
Net interest spread			1.19			1.45
Net interest margin			1.14			1.50

(2) Interest income

During the Reporting Period, the interest income of the Group amounted to RMB60,318 million, representing a decrease of 2.09% as compared to the previous year.

Interest income arising from loans and advances to customers

During the Reporting Period, the Group's interest income arising from loans and advances to customers amounted to RMB43,821 million, representing a decrease of 6.82% as compared to the previous year.

The following table sets forth the average balance, interest income and average yield for components of loans and advances to customers of the Group for the periods indicated:

(Unit: RMB'000)

	2023			2022		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	540,016,610	24,945,056	4.62	542,451,901	24,797,924	4.57
Personal loans	315,300,208	17,705,626	5.62	338,871,070	20,712,310	6.11
Discounted bills	76,514,078	1,169,830	1.53	79,277,794	1,516,242	1.91
Loans and advances to customers	931,830,896	43,820,512	4.70	960,600,765	47,026,476	4.90

Interest income arising from deposits with the central bank, deposits with banks and other financial institutions and placements with banks and other financial institutions and interest income arising from financial assets held under resale agreements

During the Reporting Period, the Group's interest income arising from deposits with the central bank, deposits with banks and other financial institutions and placements with banks and other financial institutions totaled RMB2,280 million, representing a year-on-year increase of 20.00%; and the interest income arising from financial assets held under resale agreements amounted to RMB495 million, representing a year-on-year increase of 225.67%.

Interest income arising from financial investments

During the Reporting Period, the Group's interest income arising from financial investments amounted to RMB13,722 million, representing a year-on-year increase of 9.57%.

(3) Interest expense

During the Reporting Period, the Group's interest expense amounted to RMB42,672 million, representing a year-on-year increase of 9.60%.

Interest expense on deposits from customers

During the Reporting Period, the Group's interest expense on deposits from customers amounted to RMB24,455 million, representing a year-on-year increase of 11.87%.

The following table sets forth the average balance, interest expense and average cost on deposits from customers of the Group for the periods indicated:

(Unit: RMB'000)

	2023			2022		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits	565,872,493	15,290,213	2.70	552,633,389	15,358,246	2.78
Of which: Demand deposits	197,120,230	2,753,609	1.40	157,469,303	1,642,068	1.04
Time deposits	368,752,263	12,536,604	3.40	395,164,086	13,716,178	3.47
Personal deposits	202,090,737	5,933,207	2.94	138,016,073	4,066,905	2.95
Of which: Demand deposits	37,969,166	258,735	0.68	34,408,534	121,953	0.35
Time deposits	164,121,571	5,674,472	3.46	103,607,539	3,944,952	3.81
Pledged deposits and others	129,231,508	3,231,238	2.50	126,439,079	2,434,434	1.93
Deposits from customers	897,194,738	24,454,658	2.73	817,088,541	21,859,585	2.68

Interest expense on borrowing from the central bank, deposits from banks and other financial institutions and placements from banks and other financial institutions and interest expense on financial assets sold under repurchase agreements

During the Reporting Period, the Group's interest expense on borrowing from the central bank, deposits from banks and other financial institutions and placements from banks and other financial institutions totaled RMB10,110 million, representing a year-on-year increase of 9.67%; interest expense on financial assets sold under repurchase agreements amounted to RMB776 million, representing a year-on-year decrease of 1.10%.

Interest expense on debt securities issued

During the Reporting Period, the Group's interest expense on debt securities issued amounted to RMB7,331 million, representing a year-on-year increase of 3.67%.

(4) *Impact of changes in volume and interest rate on interest income and interest expense*

The following table sets forth the allocation of changes in the interest income and interest expense of the Group due to changes in volume and changes in rate for the periods indicated:

(Unit: RMB'000)

	2023 vs. 2022 due to changes in volume	2023 vs. 2022 due to changes in rate	Net increase (decrease) (%)
Loans and advances to customers	(1,284,762)	(1,921,202)	(6.82)
Financial investments	1,360,205	(161,734)	9.57
Deposits with the central bank	35,617	54,396	9.25
Deposits with banks and other financial institutions	(2,810)	69,661	25.41
Placements with banks and other financial institutions	176,131	47,105	33.60
Financial assets held under resale agreements	313,650	29,072	225.67
Changes in interest income	598,031	(1,882,702)	(2.09)
Deposits from customers	2,186,529	408,544	11.87
Deposits from banks and other financial institutions	(633,333)	22,151	(10.65)
Placements from banks and other financial institutions	(263,288)	1,052,817	126.48
Financial assets sold under repurchase agreements	17,127	(25,738)	(1.10)
Debt securities issued	337,005	(77,148)	3.67
Borrowing from the central bank	889,120	(175,907)	24.99
Changes in interest expense	2,533,160	1,204,719	9.60
Changes in net interest income	(1,935,129)	(3,087,421)	(22.16)

Note: Changes in interest income and expense caused by both changes in volume and changes in rate have been allocated to the amount of impact of changes in volume on changes in interest income and expense.

3. Net non-interest income

During the Reporting Period, the net non-interest income of the Group amounted to RMB7,351 million, representing a year-on-year increase of 93.63%.

(1) Net fee and commission income

During the Reporting Period, the net fee and commission income of the Group amounted to RMB3,999 million, representing a year-on-year increase of 55.65%.

The following table sets forth the principal components of the Group's net fee and commission income for the periods indicated:

(Unit: RMB'000)

	2023	2022	Increase (decrease) (%)
Fee and commission income	5,077,664	3,540,479	43.42
Of which: Agency service fees	3,044,037	1,372,060	121.86
Settlement and clearing fees	937,790	902,803	3.88
Credit commitments and loan service fees	530,773	425,453	24.75
Custodian service fees	293,830	400,290	(26.60)
Consulting service fees	139,813	188,593	(25.87)
Bank card fees	91,432	115,328	(20.72)
Others	39,989	135,952	(70.59)
Fee and commission expense	1,078,743	971,257	11.07
Net fee and commission income	3,998,921	2,569,222	55.65

(2) Other net non-interest income

During the Reporting Period, other net non-interest income of the Group amounted to RMB3,352 million, representing a year-on-year increase of 173.12%, primarily due to the significant increase in net trading gains and net gains arising from financial investments as compared to the previous year.

The following table sets forth the principal components of other net non-interest income of the Group for the periods indicated:

(Unit: RMB'000)

	2023	2022	Increase (decrease) (%)
Net trading gains/(losses)	502,026	(224,543)	N/A
Net gains arising from financial investments	2,763,298	1,386,594	99.29
Other operating income	87,136	65,408	33.22
Total	3,352,460	1,227,459	173.12

4. Operating expenses

During the Reporting Period, the operating expenses of the Group amounted to RMB10,713 million, representing a year-on-year decrease of 1.72%.

The following table sets forth the principal components of operating expenses of the Group for the periods indicated:

(Unit: RMB'000)

	2023	2022	Increase (decrease) (%)
Staff cost	5,959,857	6,242,897	(4.53)
Depreciation and amortization	1,740,894	1,628,498	6.90
Taxes and surcharges	429,065	443,177	(3.18)
Interest expense on lease liabilities	157,296	162,733	(3.34)
Other general and administrative expenses	2,426,034	2,423,582	0.10
Total	10,713,146	10,900,887	(1.72)

5. Impairment losses on assets

The Group strictly followed the regulatory requirements to provide impairment losses on credit based on the principle of prudence. During the Reporting Period, the impairment losses on credit provided by the Group amounted to RMB9,121 million, representing an increase of 0.75% as compared to the same period of the previous year, among which the provision for impairment losses on loans and advances to customers amounted to RMB6,793 million, impairment on investment amounted to RMB144 million, and other impairment losses on credit amounted to RMB2,184 million.

6. Income tax expense

During the Reporting Period, the income tax expense of the Group amounted to RMB82 million and the effective tax rate was 1.59%. The income tax decreased primarily due to the decrease in the profit before taxation.

The following table sets forth the difference between the income tax expense of the Group and the calculation based on the statutory rate of 25% for the periods indicated:

(Unit: RMB'000)

	2023	2022	Increase (decrease) (%)
Profit before taxation	5,163,077	6,511,454	(20.71)
Income tax calculated at statutory tax rate of 25%	1,290,769	1,627,864	(20.71)
Tax impacts of the adjustment for:			
Non-deductible expenses	404,627	542,618	(25.43)
Non-taxable income	(1,289,414)	(1,529,756)	(15.71)
Deductible items of interest expense on undated capital bonds	(237,500)	(237,500)	–
Others	(86,308)	753	N/A
Income tax expense	82,174	403,979	(79.66)

(II) Items in the Consolidated Statement of Financial Position

1. Items of assets

As of the end of the Reporting Period, the total assets of the Group amounted to RMB1,732,734 million, representing an increase of 4.42% as compared to the end of the previous year, which was mainly due to an increase in asset scale led by the rapid development of financial investments.

The following table sets forth the composition of total assets of the Group as of the dates indicated:

(Unit: RMB'000)

	December 31, 2023		December 31, 2022		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Cash and deposits with the central bank	103,494,179	5.97	108,394,184	6.53	(4.52)
Deposits with banks and other financial institutions	20,938,491	1.21	16,074,856	0.97	30.26
Placements with banks and other financial institutions and financial assets held under resale agreements	18,886,161	1.09	18,333,936	1.10	3.01
Derivative financial assets	1,551,181	0.09	1,211,516	0.07	28.04
Loans and advances to customers	920,394,849	53.12	942,723,216	56.81	(2.37)
Financial investments	633,136,792	36.54	544,533,823	32.81	16.27
Property and equipment	3,586,673	0.21	3,740,467	0.23	(4.11)
Deferred tax assets	14,759,051	0.85	13,105,211	0.79	12.62
Right-of-use assets	3,886,770	0.22	4,024,889	0.24	(3.43)
Other assets	12,099,689	0.70	7,317,804	0.45	65.35
Total assets	1,732,733,836	100.00	1,659,459,902	100.00	4.42

(1) Loans and advances to customers

As of the end of the Reporting Period, the Group's gross loans and advances to customers (including discounts) amounted to RMB932,644 million, representing a decrease of 2.57% as compared to the end of the previous year.

The following table sets forth the distribution of loans and advances to customers of the Group by product type as of the dates indicated:

(Unit: RMB'000)

	December 31, 2023		December 31, 2022		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Corporate loans and advances	566,740,133	60.77	535,149,187	55.90	5.90
Discounted bills	93,160,915	9.99	85,532,135	8.94	8.92
Personal loans	272,743,387	29.24	336,535,656	35.16	(18.96)
Gross loans and advances to customers	932,644,435	100.00	957,216,978	100.00	(2.57)
Interests accrued	12,350,216		9,338,023		
Total	944,994,651		966,555,001		

(2) Financial investments

As of the end of the Reporting Period, the financial investments of the Group amounted to RMB633,137 million, representing an increase of 16.27% as compared to the end of the previous year.

The following table sets forth the composition of financial investments of the Group as of the dates indicated:

(Unit: RMB'000)

	December 31, 2023		December 31, 2022		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Financial investments measured at fair value through profit or loss	161,057,566	25.44	120,542,087	22.14	33.61
Financial investments measured at fair value through other comprehensive income	117,150,761	18.50	101,487,369	18.64	15.43
Financial investments measured at amortized cost	354,928,465	56.06	322,504,367	59.22	10.05
Total	633,136,792	100.00	544,533,823	100.00	16.27

Further details of the Group's financial investments are set forth in "Audit Report and Financial Report: Notes to the Consolidated Financial Statements" in this annual report.

The following table sets forth the top 10 financial bonds held by the Group as of the end of the Reporting Period:

(Unit: RMB'000)

Bonds	Total price	Return rate (%)	Maturity
Financial bond A	9,680,000	2.4750	2028-05-25
Financial bond B	6,840,000	2.2200	2024-07-31
Financial bond C	5,800,000	2.1800	2024-09-25
Financial bond D	5,020,000	2.3500	2026-07-06
Financial bond E	4,380,000	1.7000	2024-01-15
Financial bond F	3,850,000	2.6925	2033-09-11
Financial bond G	3,670,000	2.2500	2024-03-03
Financial bond H	3,470,000	2.1400	2024-05-17
Financial bond I	3,370,000	2.7200	2033-05-22
Financial bond J	3,280,000	2.3200	2026-03-24

(3) Financial derivatives transactions

The Group's financial derivatives transactions mainly consist of interest rate swaps, foreign exchange swaps and foreign exchange forwards, etc. The Group flexibly uses various derivative financial instruments to hedge exchange rate and interest rate risks, carries out strategic transactions and reasonably manages the portfolio of derivative financial instrument position, and keeps a sound trading style.

As of the end of the Reporting Period, the contractual amounts and fair value of the main types of unexpired derivative financial instruments held by the Group are set out as follows:

(Unit: RMB'000)

	December 31, 2023			December 31, 2022		
	Contractual/ notional amount	Fair value		Contractual/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Interest rate swaps	248,318,596	14,753	(4,386)	203,353,923	34,495	(32,018)
Exchange rate swaps	79,142,406	726,267	(501,555)	34,618,545	635,722	(202,165)
Exchange rate forwards	43,718,277	578,565	(473,145)	52,699,856	471,433	(371,794)
Precious metal swaps	4,845,954	218,193	-	3,319,785	69,866	(7,196)
Option contracts	1,132,332	13,403	(11,526)	-	-	-
Total	377,157,565	1,551,181	(990,612)	293,992,109	1,211,516	(613,173)

2. Items of liabilities

As of the end of the Reporting Period, the total liabilities of the Group amounted to RMB1,618,331 million, representing an increase of 4.44% as compared to the end of the previous year, which was mainly due to an increase in total liabilities led by the increase in deposits from customers.

The following table sets forth the composition of total liabilities of the Group as of the dates indicated:

(Unit: RMB'000)

	December 31, 2023		December 31, 2022		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Borrowing from the central bank	133,787,964	8.27	117,858,168	7.61	13.52
Deposits from banks and other financial institutions	158,762,222	9.81	181,175,967	11.69	(12.37)
Placements from banks and other financial institutions	34,920,012	2.16	29,434,826	1.90	18.64
Derivative financial liabilities	990,612	0.06	613,173	0.04	61.56
Financial assets sold under repurchase agreements	66,634,253	4.12	60,223,721	3.89	10.64
Deposits from customers	934,593,879	57.75	863,934,028	55.76	8.18
Income tax payable	849,131	0.05	1,124,939	0.07	(24.52)
Debt securities issued	267,923,368	16.56	276,680,991	17.86	(3.17)
Lease liabilities	4,115,588	0.25	4,229,676	0.27	(2.70)
Other liabilities	15,754,106	0.97	14,233,379	0.91	10.68
Total liabilities	1,618,331,135	100.00	1,549,508,868	100.00	4.44

Note: As at December 31, 2023, borrowing from the central bank of RMB133,787,964,000 included the principal amount at a fixed interest rate of RMB132,018,000,000, and the interest payable on the borrowing from the central bank of RMB1,769,964,000.

Deposits from customers

As of the end of the Reporting Period, the gross deposits from customers of the Group amounted to RMB915,162 million, representing an increase of 8.45% as compared to the end of the previous year.

The following table sets forth the distribution of deposits from customers of the Group by product type and customer type as of the dates indicated:

(Unit: RMB'000)

	December 31, 2023		December 31, 2022		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Corporate deposits	566,167,040	61.87	538,102,666	63.77	5.22
Of which: Demand deposits	219,169,451	23.95	174,481,455	20.68	25.61
Time deposits	346,997,589	37.92	363,621,211	43.09	(4.57)
Personal deposits	201,002,143	21.96	168,724,081	19.99	19.13
Of which: Demand deposits	33,061,936	3.61	35,665,919	4.22	(7.30)
Time deposits	167,940,207	18.35	133,058,162	15.77	26.22
Pledged deposits	147,772,584	16.15	136,752,076	16.20	8.06
Fiscal deposits	174,755	0.02	214,725	0.03	(18.61)
Inward and outward remittances	45,456	0.00	80,147	0.01	(43.28)
Gross deposits from customers	915,161,978	100.00	843,873,695	100.00	8.45
Interests accrued	19,431,901		20,060,333		
Total	934,593,879		863,934,028		

The following table sets forth the distribution of the Group's deposits from customers by currency as of the dates indicated:

(Unit: RMB'000)

	December 31, 2023		December 31, 2022		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
RMB	895,002,140	95.76	807,203,607	93.43	10.88
Foreign currency against RMB	39,591,739	4.24	56,730,421	6.57	(30.21)
Total	934,593,879	100.00	863,934,028	100.00	8.18

3. Total equity

As of the end of the Reporting Period, the total equity of the Group amounted to RMB114,403 million, representing an increase of RMB4,452 million or 4.05% as compared to the end of the previous year, primarily due to an increase of retained earnings of the Group during the Reporting Period.

The following table sets forth the composition of the items in the Group's total equity as of the dates indicated:

(Unit: RMB'000)

	December 31, 2023	December 31, 2022	Increase (decrease) (%)
Share capital	17,762,000	17,762,000	–
Other equity instruments	19,961,604	19,961,604	–
Other reserves	(2,718,089)	(3,038,853)	N/A
Capital reserve	10,732,077	10,732,077	–
Surplus reserve	7,828,688	7,342,356	6.62
General reserve	20,678,511	20,245,453	2.14
Retained earnings	40,157,910	36,946,397	8.69
Total	114,402,701	109,951,034	4.05

4. Off-balance sheet items that may have a significant impact on the financial position and operating results

The off-balance sheet items of the Group are set out in "Audit Report and Financial Report: Notes to the Consolidated Financial Statements" in this annual report.

5. Market share of primary products or services

According to the Statements of Incomes and Expenditures Related to Lendings from Banks published by the PBoC in December 2023, as of the end of the Reporting Period, the market share of the gross deposits and loans of the Group among the 12 national joint-stock commercial banks in Mainland China is as follows:

	Market share (%)
Gross deposits	2.16
Of which: Gross savings deposits	1.62
Gross loans	2.23

(III) Items in the Consolidated Statement of Cash Flows

During the Reporting Period, net cash flow generated from operating activities of the Group amounted to RMB81,309 million, of which cash inflow generated from changes in operating assets amounted to RMB2,928 million, cash inflow generated from changes in operating liabilities amounted to RMB73,697 million. Net cash flow used in investing activities of the Group amounted to RMB59,112 million, of which proceeds from disposal sale and redemption of investments amounted to RMB563,111 million, purchases of investments amounted to RMB636,435 million. Net cash flow used in financing activities of the Group amounted to RMB18,182 million, of which proceeds from debt securities issued amounted to RMB387,814 million, repayment of debt securities issued amounted to RMB398,851 million.

(IV) Other Financial Information

1. *The items with change rate over 30% in the accounting statements and the brief analysis on the reasons*

(Unit: RMB'000)

Items of the consolidated statement of financial position	December 31, 2023	December 31, 2022	Increase (decrease) (%)	Main reasons for changes during the Reporting Period
Deposits with banks and other financial institutions	20,938,491	16,074,856	30.26	Increase in deposits with banks in and outside China
Placements with banks and other financial institutions	12,353,608	18,333,936	(32.62)	Decrease in placements in China and outside China
Financial assets held under resale agreements	6,532,553	-	N/A	Increase in domestic financial assets held under resale agreements
Financial investments measured at fair value through profit or loss	161,057,566	120,542,087	33.61	Increase in bond investments, trust plans and asset management plans
Other assets	12,099,689	7,317,804	65.35	Increase in settlement receivable
Derivative financial liabilities	990,612	613,173	61.56	Increase in derivative financial liabilities
Items of the consolidated statement of profit or loss and other comprehensive income	2023	2022	Increase (decrease) (%)	Main reasons for changes during the Reporting Period
Fee and commission income	5,077,664	3,540,479	43.42	Increase in agency service fees income
Net trading gains/(losses)	502,026	(224,543)	N/A	Combined effect of the decrease in exchange losses, the increase in net gains from bond investments at fair value through profit or loss and the decrease in net gains from derivative instruments
Net gains arising from financial investments	2,763,298	1,386,594	99.29	Increase in net gains from financial investments at fair value through profit or loss
Other operating income	87,136	65,408	33.22	Increase in government grants and rental income
Income tax expense	(82,174)	(403,979)	(79.66)	Decrease in profit before taxation

2. *Pledge of assets*

Details for the pledge of assets of the Group are set out in "Audit Report and Financial Report: Notes to the Consolidated Financial Statements" in this annual report.

3. *Outstanding debts payable*

The Group had no outstanding debts payable as of the end of the Reporting Period.

VI. ANALYSIS OF CAPITAL ADEQUACY RATIOS

In calculating its capital adequacy ratios, the Bank considers itself and the financial institutions it invests directly or indirectly in compliance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》). The items related to capital adequacy ratios at all levels calculated by the Group and the Bank in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and the relevant requirements are as follows:

(Unit: RMB'000)

	December 31, 2023		December 31, 2022	
	The Group	The Bank	The Group	The Bank
Core tier 1 capital	94,441,097	94,223,505	89,989,430	89,970,089
Core tier 1 capital regulatory deductions	(5,635,246)	(7,839,745)	(4,362,055)	(6,561,145)
Net core tier 1 capital	88,805,851	86,383,760	85,627,375	83,408,944
Other tier 1 capital	19,961,604	19,961,604	19,961,604	19,961,604
Net tier 1 capital	108,767,455	106,345,364	105,588,979	103,370,548
Tier 2 capital	17,051,284	17,051,284	16,525,540	16,525,540
Of which: Qualifying portion of tier 2 capital instruments that applied to preferential policies during transitional period	—	—	—	—
Tier 2 capital regulatory deductions	—	—	—	—
Net capital	125,818,739	123,396,648	122,114,519	119,896,088
Capital adequacy ratio^{Note} (%)	11.58	11.37	11.50	11.30
Tier 1 capital adequacy ratio (%)	10.01	9.80	9.94	9.74
Core tier 1 capital adequacy ratio (%)	8.17	7.96	8.06	7.86

Note: Capital adequacy ratio equals net capital/risk-weighted assets*100%. See table below for details of risk-weighted assets.

The following table sets forth the risk-weighted assets calculated by the Group and the Bank in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), among which, credit risk-weighted assets are calculated using the method of weighting, market risk-weighted assets are calculated using the standardized approach, and operational risk-weighted assets are calculated using basic indicator approach.

(Unit: RMB'000)

	December 31, 2023		December 31, 2022	
	The Group	The Bank	The Group	The Bank
Credit risk-weighted assets	1,027,021,912	1,025,855,790	1,003,182,997	1,002,646,155
Of which: On-balance sheet credit risk	955,466,268	954,300,146	938,335,166	937,798,324
Off-balance sheet credit risk	68,502,384	68,502,384	62,706,781	62,706,781
Counterparty credit risk	3,053,260	3,053,260	2,141,050	2,141,050
Market risk-weighted assets	9,964,652	9,964,652	4,233,476	4,233,476
Operational risk-weighted assets	49,660,324	49,392,011	54,462,589	54,462,589
Total risk-weighted assets	1,086,646,888	1,085,212,453	1,061,879,062	1,061,342,220

According to the information disclosure requirements on asset securitization in Appendix 15 of the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), as of the end of the Reporting Period, the Group's and the Bank's on-balance sheet credit risk exposure included RMB66,612 million of on-balance sheet asset securitization risk exposure and RMB14,331 million of risk-weighted assets.

VII. LEVERAGE RATIO

The Group measured the leverage ratio pursuant to the Leverage Ratio Rules for Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》) and relevant regulatory rules as follows:

(Unit: RMB'000)

	December 31, 2023	December 31, 2022
Tier 1 capital	114,402,701	109,951,034
Tier 1 capital deductions	(5,635,246)	(4,362,055)
Total adjusted on-balance sheet and off-balance sheet assets	1,983,659,131	1,943,617,486
Of which: Total adjusted on-balance sheet assets	1,719,012,401	1,653,886,331
Total adjusted off-balance sheet assets	254,731,342	287,609,535
Others	9,915,388	2,121,620
Leverage ratio (%)	5.48	5.43

VIII. SEGMENT REPORTING

The following table shows the segment performance of the Group by business segment for the periods indicated:

(Unit: RMB'000)

	2023		2022	
	Operating income	Profit before taxation	Operating income	Profit before taxation
Corporate banking	13,869,730	4,456,971	14,631,152	1,989,746
Retail banking	8,383,965	472,403	9,648,831	3,423,090
Financial market	2,645,223	325,896	2,079,473	1,226,838
Others	98,452	(92,193)	105,764	(128,220)
Total	24,997,370	5,163,077	26,465,220	6,511,454

The following table shows the segment performance of the Group by geographic region for the periods indicated:

(Unit: RMB'000)

	2023		2022	
	Operating income	Profit before taxation	Operating income	Profit before taxation
Northern and Northeastern China	14,186,704	1,704,616	14,248,429	1,728,883
Eastern China	4,592,434	1,907,166	5,470,706	2,555,686
Central and Southern China	4,708,232	1,161,881	4,895,575	1,565,893
Western China	1,510,000	389,414	1,850,510	660,992
Total	24,997,370	5,163,077	26,465,220	6,511,454

IX. LOAN QUALITY ANALYSIS

(I) Distribution of Loans by Five-category Classification

(Unit: RMB'000)

	December 31, 2023		December 31, 2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Normal loans	887,214,612	95.12	912,701,089	95.35
Special mention loans	28,871,484	3.10	27,709,018	2.89
NPLs	16,558,339	1.78	16,806,871	1.76
Of which: Substandard loans	5,531,097	0.59	5,763,962	0.61
Doubtful loans	5,572,424	0.60	6,141,332	0.64
Loss loans	5,454,818	0.59	4,901,577	0.51
Gross loans and advances to customers	932,644,435	100.00	957,216,978	100.00

(II) Loan Migration

(Unit: %)

	December 31, 2023	December 31, 2022	December 31, 2021
Migration rate of normal loans	1.11	1.33	3.00
Migration rate of special mention loans	8.33	19.93	19.62
Migration rate of substandard loans	63.89	74.56	89.73
Migration rate of doubtful loans	39.49	15.65	17.24

(III) Distribution of Loans and NPLs by Product Type

(Unit: RMB'000)

	December 31, 2023				December 31, 2022			
	Amount	Proportion (%)	NPL amount	NPL ratio (%)	Amount	Proportion (%)	NPL amount	NPL ratio (%)
Corporate loans and advances	566,740,133	60.77	10,418,084	1.84	535,149,187	55.90	10,007,974	1.87
Of which: Short-term corporate loans	220,021,985	23.59	5,307,835	2.41	191,629,085	20.02	5,311,928	2.77
Medium- and long-term corporate loans	346,718,148	37.18	5,110,249	1.47	343,520,102	35.88	4,696,046	1.37
Discounted bills	93,160,915	9.99	13,524	0.01	85,532,135	8.94	5,787	0.01
Of which: Bank acceptance bills	92,640,303	9.93	–	–	84,325,036	8.81	–	–
Commercial acceptance bills	520,612	0.06	13,524	2.60	1,207,099	0.13	5,787	0.48
Personal loans	272,743,387	29.24	6,126,731	2.25	336,535,656	35.16	6,793,110	2.02
Of which: Residential and commercial housing loans	159,565,607	17.11	1,547,054	0.97	179,624,947	18.77	1,379,772	0.77
Personal consumption loans	75,937,149	8.14	3,372,526	4.44	104,693,328	10.94	4,852,040	4.63
Personal business loans	37,240,631	3.99	1,207,151	3.24	52,217,381	5.45	561,298	1.07
Gross loans and advances to customers	932,644,435	100.00	16,558,339	1.78	957,216,978	100.00	16,806,871	1.76

(IV) Distribution of Corporate Loans and NPLs by Industry

(Unit: RMB'000)

	December 31, 2023				December 31, 2022			
	Amount	Proportion (%)	NPL amount	NPL ratio (%)	Amount	Proportion (%)	NPL amount	NPL ratio (%)
Lease and business services	212,756,214	22.81	1,763,908	0.83	187,018,161	19.54	1,489,632	0.80
Real estate	88,361,622	9.47	3,229,467	3.65	92,621,820	9.68	2,656,910	2.87
Manufacturing	85,434,345	9.16	1,877,692	2.20	82,907,974	8.66	2,040,884	2.46
Water conservancy, environment and public facilities management	59,722,557	6.40	32,330	0.05	60,278,167	6.30	27,684	0.05
Wholesale and retail	38,121,599	4.09	1,774,901	4.66	35,853,747	3.75	1,742,906	4.86
Construction	25,489,080	2.73	878,193	3.45	25,013,619	2.61	930,127	3.72
Transportations and communications, storage and post	10,911,221	1.17	40,441	0.37	12,309,380	1.29	425,846	3.46
Production and supply of electricity, heat, gas and water	10,633,994	1.14	105,936	1.00	10,304,895	1.08	125,939	1.22
Finance	9,551,052	1.02	-	-	7,355,225	0.77	-	-
Mining	7,488,413	0.80	246,172	3.29	7,873,478	0.82	117,479	1.49
Information transmission, software and IT services	4,376,658	0.47	66,089	1.51	2,103,520	0.22	81,252	3.86
Agriculture, forestry, animal husbandry and fishery	3,734,751	0.40	15,000	0.40	3,242,134	0.34	15,000	0.46
Education	2,799,681	0.30	15,350	0.55	1,644,387	0.17	-	-
Others	7,358,946	0.81	372,605	5.06	6,622,680	0.67	354,315	5.35
Gross corporate loans and advances	566,740,133	60.77	10,418,084	1.84	535,149,187	55.90	10,007,974	1.87

(V) Distribution of Loans and NPLs by Geographical Areas

(Unit: RMB'000)

	December 31, 2023				December 31, 2022			
	Amount	Proportion (%)	NPL amount	NPL ratio (%)	Amount	Proportion (%)	NPL amount	NPL ratio (%)
Northern and Northeastern China	431,885,105	46.31	5,976,122	1.38	426,563,367	44.57	6,550,635	1.54
Eastern China	217,892,309	23.36	2,694,148	1.24	222,939,866	23.29	2,812,813	1.26
Central and Southern China	205,393,575	22.02	7,269,761	3.54	224,585,557	23.46	6,801,970	3.03
Western China	77,473,446	8.31	618,308	0.80	83,128,188	8.68	641,453	0.77
Gross loans and advances to customers	932,644,435	100.00	16,558,339	1.78	957,216,978	100.00	16,806,871	1.76

(VI) Distribution of Loans and NPLs by Security Type

(Unit: RMB'000)

	December 31, 2023				December 31, 2022			
	Amount	Proportion (%)	NPL amount	NPL ratio (%)	Amount	Proportion (%)	NPL amount	NPL ratio (%)
Collateralized loans	287,431,539	30.82	6,969,093	2.42	307,784,561	32.15	5,486,068	1.78
Pledged loans	177,103,155	18.99	1,082,780	0.61	166,710,257	17.42	1,534,545	0.92
Guaranteed loans	291,933,105	31.30	4,307,416	1.48	295,736,739	30.90	4,529,245	1.53
Unsecured loans	176,176,636	18.89	4,199,050	2.38	186,985,421	19.53	5,257,013	2.81
Gross loans and advances to customers	932,644,435	100.00	16,558,339	1.78	957,216,978	100.00	16,806,871	1.76

(VII) Distribution of Loans by Overdue Period

As of the end of the Reporting Period, the overdue loans amounted to RMB28,887.32 million, representing an increase of RMB2,236.85 million as compared to the end of the previous year.

(Unit: RMB'000)

	December 31, 2023		December 31, 2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Overdue within three months	13,057,400	1.40	12,218,342	1.28
Overdue more than three months to one year	5,455,126	0.59	4,544,252	0.47
Overdue more than one year to three years	7,750,545	0.83	8,019,592	0.84
Overdue more than three years	2,624,251	0.28	1,868,287	0.20
Total overdue loans	28,887,322	3.10	26,650,473	2.79
Gross loans and advances to customers	932,644,435	100.00	957,216,978	100.00

(VIII) Loans to Ten Largest Customers Who Are Single Borrowers

(Unit: RMB'000)

Borrowers	Industry	December 31, 2023			
		Amount	NPL amount	% of net capital base	% of gross loans
Customer A	Lease and business services	7,972,000	—	6.34	0.85
Customer B	Manufacturing	7,459,997	—	5.93	0.80
Customer C	Lease and business services	7,190,250	—	5.71	0.77
Customer D	Lease and business services	6,669,835	—	5.30	0.72
Customer E	Lease and business services	6,419,151	—	5.10	0.69
Customer F	Construction	5,577,000	—	4.43	0.60
Customer G	Manufacturing	4,836,228	—	3.84	0.52
Customer H	Lease and business services	4,400,000	—	3.50	0.47
Customer I	Lease and business services	4,214,578	—	3.35	0.45
Customer J	Lease and business services	3,745,000	—	2.98	0.40
Total	—	58,484,039	—	46.48	6.27

(IX) Restructured Loans

Restructured loans refer to those loans that the financial status of the relevant borrowers deteriorates, or that borrowers are not capable of repaying and therefore certain clauses on the loan contract are adjusted. As of the end of the Reporting Period, the balance of restructured loans amounted to RMB959.5665 million, representing a decrease of 20.93% as compared to the end of the previous year.

(X) Repossessed Assets

As of the end of the Reporting Period, the Bank had no repossessed assets.

(XI) Risk Management on Credit Extension to Group Customers

The Bank has attached great importance to the risk management on credit extension to group customers, and optimized the management of group customer relationships. The Bank has established the group customer classification management and dynamic list management to realize active pre-approval of credit and total control with ever-growing risk management capabilities. In the process of investigation, evaluation and review of credit extension to group customers, we have strengthened the identification and prevention of overall risk to group customers, and avoided the uncertainties caused by complex equity structure and diversified expansion operations. We have focused on the review of the authenticity of the background of the credit extension plan and the reliability of the source of repayment, preventing enterprises from whitewashing the statements and transferring funds through improper related party transactions. We have been aiming to strengthen the identification for group customers' overall development trend. In principle, we have been making sure the credit extension funds are invested in the core enterprises and core sectors, preventing misappropriation of funds, long-term use of short-term loans, and credit funds from entering the construction or operations of other sectors. We have been conducting in-depth analysis to group customers' scale, growth, risk tolerance and existing credit extensions of other banks and other factors. Combining with the Bank's capital scale and risk tolerance, we have reasonably determined the overall credit line for group customers, and prevented the risk of excessive concentration of credit extension. We have established an early warning mechanism to provide early warnings and take corresponding risk control measures in time by collecting and analyzing relevant information of group customers.

(XII) Disposal of Non-Performing Assets

As of the end of the Reporting Period, the Bank had disposed of RMB18,798 million of non-performing assets through means such as cash collection, write-off of bad debts, and bankruptcy reorganization.

(XIII) Allowance for Loan Impairment

1. Loans and advances to customers measured at amortised cost

(Unit: RMB'000)

	2023	2022
Opening balance	23,831,785	22,744,711
Charge	6,944,029	6,673,120
Transfer out	–	(642,147)
Write-off	(6,803,049)	(5,220,329)
Recoveries	622,009	256,775
Exchange rate changes and others	5,028	19,655
Closing balance	24,599,802	23,831,785

2. Loans and advances to customers measured at fair value through other comprehensive income

(Unit: RMB'000)

	2023	2022
Opening balance	1,538,132	87,437
(Reversal)/charge	(151,295)	1,450,695
Transfer out	–	–
Write-off	–	–
Recoveries	–	–
Exchange rate changes and others	–	–
Closing balance	1,386,837	1,538,132

(XIV) Large Exposure

The Bank has strictly implemented the regulatory requirements of the Rules on Large Exposure of Commercial Banks (《商業銀行大額風險暴露管理辦法》) and continuously enhanced the management of large exposures. The Bank has established and improved the organizational structure for the management of large exposures, and built an operating mechanism that is mutually connected and effectively checks and balances. It strengthens the construction of large exposure management system, continuously monitors changes in large exposures, and effectively support the management of large exposures. During the Reporting Period, all large exposures indicators of the Bank met expected internal and external requirements.

X. MAIN BUSINESS OPERATION AND MANAGEMENT

(I) Corporate Banking Business

During the Reporting Period, adhering to its fundamental purpose of serving the national strategic objectives and the real economy, the corporate banking further promoted the transformation and development of “industry banking, transaction banking, and light-model banking”, continued to strengthen the support of its four major systems of “customer base, channel, product and management”, accelerated the construction of a digital platform for corporate business, and focused on providing financial services in key sectors such as technology finance, green finance, inclusive finance, pension finance, and digital finance, striving to achieve high-quality development of corporate banking business.

Customer development

During the Reporting Period, the corporate banking established a service system comprising the four major corporate customer groups: industry strategic customer group, basic special customer group, government and institution customer group, and regional key customer group. In terms of the industry strategic customer group, the corporate banking optimized and upgraded the strategic customer service model, focused on the upstream and downstream of the strategic customer industry chain and segmented industry clusters, formulated comprehensive financial service plans, and established a marketing service system of “customer map, product map, and combat map”. In terms of the basic special customer group, the corporate banking gradually implemented the management model of “management in full, planning by category, and promotion by task” to develop digital operation capabilities for basic corporate customers. In terms of the government and institution customer group, the corporate banking actively served customer groups such as finance, education, medical care, housing construction, government affairs, and people’s livelihood, and achieved remarkable results in customer base expansion. In terms of the regional key customer group, the corporate banking made active response to the national regional development strategy, gave great support for the construction of the Beijing-Tianjin-Hebei region, the Yangtze Economic Belt, and the Guangdong-Hong Kong-Macao Greater Bay Area, in order to serve the development of leading industries with local characteristics. As of the end of the Reporting Period, the Bank had a total of 105,432 corporate customers, an increase of 13.61%; and a total of 64,298 effective customers, an increase of 15.05%.

Liability business

Adhering to the “deposit-oriented” philosophy as always, the corporate banking strengthened customer base development, diversified product portfolio, improved channel strategies, continued to improve the quality and efficiency of liability business, and promoted the deposit growths and the deposit structure improvement. The corporate banking made great efforts in expanding institutional deposits. With finance as the core, it focused on institutional customer groups, strengthened chain marketing, tapped the potential of existing customers, strengthened channel expansion, and thus achieved steady growth in institutional deposits. The corporate banking paid close attention to macroeconomic policies in order to determine reasonable pricing levels for liabilities, made greater efforts in absorbing settlement deposits to promote the continued reduction in interest payment costs. As of the end of the Reporting Period, the gross corporate deposits amounted to RMB566,167 million, representing an increase of RMB28,064 million or 5.22% as compared to the end of the previous year. In particular, the balance of current deposits amounted to RMB219,169 million, representing an increase of RMB44,688 million or 25.61% as compared to the end of the previous year, demonstrating rapid growth in the liability size with a further optimized structure.

Asset business

To actively implement the national strategic planning and policy requirements, and in lockstep with the trend of economic development momentum transition and the key directions of industrial upgrading, the corporate banking constantly laid out new tracks and cultivated new development drivers. The corporate banking continued to increase support for key sectors such as manufacturing, green credit, and rural revitalization, serving the real economy and optimizing the credit structure. Targeting at industry finance and technology finance, the corporate banking established industry business models featuring “industry+customers”, “industry+transactions”, “industry+industrial chains” and “industry+regions”, developed industry-specific brands, and built up brand presence of the Bank for specific industry segments. Focusing on key customer groups such as technology-based small and medium-sized enterprises, innovative small and medium-sized enterprises, national high-tech enterprises, and enterprises engaging in specialized, sophisticated, unique and new businesses, it established a diversified relay-type financial service system suitable for technology-based enterprises. As of the end of the Reporting Period, the gross corporate loans amounted to RMB566,740 million, representing an increase of RMB31,591 million or 5.90% as compared to the end of the previous year. The balance of loans to the high-tech manufacturing sector amounted to RMB34,538 million, accounting for 38.99% of all loans to the manufacturing sector. The balance of green loans amounted to RMB31,259 million, representing an increase of RMB3,954 million or 14.48% as compared to the end of the previous year. The balance of agriculture-related loans amounted to RMB56,313 million, representing an increase of RMB5,742 million or 11.35% as compared to the end of the previous year.

Transaction banking business

During the Reporting Period, adhering to a customer-oriented approach and returning to the essence of transactions, the transaction banking continued to promote the construction of the bill center, supply chain finance center, cash management center, and international business center to help enterprises improve their operating performance and capabilities, and thus achieved cost reduction and efficiency improvement. During the Reporting Period, non-interest income amounted to RMB1,477 million, representing a year-on-year increase of 7.18%.

Focus on the customer journey and improve customer experience. Based on the self-developed supply chain platform, the transaction banking also promoted the construction of scenario platforms jointly with core enterprises, and provided comprehensive financial service solutions centering on the transaction processes of the enterprises, striving to build the “Boyin e-Chain (渤銀 e 鏈)” product series to meet the various financial needs of enterprises. During the Reporting Period, the granted amount of the supply chain finance reached RMB188,151 million, representing a year-on-year increase of 81.89%.

Focus on settlement services and improve service efficiency. The transaction banking launched the cross-border payment brand of “CBHB Global Fast Payment (渤銀全球速匯)”. After iterative updates from 1.0 to 4.0, the industry’s first “transparent window + dynamic map navigation” function has been introduced, facilitating the international settlement business volume of USD54,971 million and attracting 833 new international settlement customers. The “Boyin Customs Pass (渤銀關稅通)” has been launched to realize the online handling throughout the entire process of tariff payment, treasury reconciliation, and payment transfers for importers and exporters.

Focus on the essence of business and create a scenario ecology. The transaction banking tapped into the advantages of core products such as “Haina Pool 2.0 (海納池 2.0)” and legal person account overdraft to empower corporate liquidity, and asset and liability management. It continued to acquire customers through the construction of ecological scenarios, expanded the size of low-cost liabilities, and optimized the corporate deposit structure of the Bank. Online business channels such as online banking and bank-corporate direct connection have been reconstructed. During the Reporting Period, the number of online corporate customers reached 18,767, representing a year-on-year increase of 23.57%. The transaction banking has opened up a new field of new-generation bill business, with 5,984 contracts signed and a total of 13,398 new-generation bills issued with an amount of RMB65,182 million.

Investment banking business

During the Reporting Period, the investment banking firmly determined the direction of FPA business development and transformation, and focused on building a flowing bank by revitalizing the existing assets, utilizing new assets, and facilitating asset flows. Using hook products with comparative advantages as a business breakthrough point and regarding serving the total financing of the economy as the starting point and end point, it continued to optimize business structure, diversify revenue sources, expand channels, and consolidate customer base. It strengthened the ability to expand customer base, accumulate deposits, and improve efficiency through efficient use of capital such as bond underwriting, transaction facilitation, asset transfer, and pairing up with wealth management subsidiaries. For 2023, the bond lead underwriting business underwrote a total of 20 innovative bonds of various issuers, and the amount underwritten by the Bank amounted to RMB10,991.7 million in total, representing a year-on-year increase of 8.83%. The transaction facilitation business developed rapidly. In 2023, the asset size under facilitation amounted to RMB65,200 million, representing a year-on-year increase of 57.11%. By integrating and utilizing market funds to provide omni-channel financing services to high-quality corporate customers, it helped customers resolve financing problems, further promoted the size and structural improvement of customer financing business as a whole under FPA standards, and assisted the transformation and development of the Bank. At the same time, the investment banking strived to develop all-investment banking business including blue ocean capital markets, focused on comprehensive financial service solutions that combine customer needs and scenario finance, and leveraged high-rated customer groups and capital market customer groups to promote, consolidate and optimize the customer base. As to the M&A business, it continued to diversify scenarios to serve customers, implemented more M&A financing projects for those including listed companies, real estate bailouts, and private science and technology enterprises, and further improved the ability to serve and support the real economy. As to syndicated loans, it fully implemented FPA business development philosophy, gave full play to product advantages, and met customers’ large-scale financing needs by leading syndicates, and thus there was a significant increase in the number of projects.

Asset custodian business

During the Reporting Period, the Bank made solid progress in promoting the structural adjustment of the asset custodian business. Guided by “strengthening the customer base and adjusting the business structure”, the Bank explored innovative business models, and created a diversified custodian business service platform with Bohai characteristics, which facilitated the effective expansion in the size of custody. As of the end of the Reporting Period, the balance of the asset custody and outsourcing business of the Bank amounted to RMB2,501.662 billion, representing an increase of 21.55% as compared to the end of the previous year. During the Reporting Period, the Bank achieved revenue from asset custody and outsourcing business of RMB294 million. According to the statistics of the China Banking Association at the end of 2023, the Bank ranked 20th in terms of total assets in custody and 21st in terms of custody portfolio among all 29 qualified custodian banks.

Inclusive finance business

During the Reporting Period, the Bank thoroughly implemented the national decision and deployment on inclusive finance, strictly implemented regulatory policy requirements, and made greater efforts to improve the quality of financial services for small and micro enterprises. It centered on customer infrastructure construction and business structure adjustment, focused on the “two districts”, “two chains” and ecological customer groups, and improved the accuracy of services in key sectors. It continued to strengthen team building, process optimization, risk management, and system construction as safeguards to enhance its inclusive financial service capabilities. It also continued to improve its product system, iteratively upgraded key products, innovatively developed online products, and improved service efficiency and customer experience, achieving high-quality development of inclusive finance.

The Bank took the initiative to connect with small and micro enterprises to improve the accuracy of services in key sectors. It conducted in-depth research on industries and their characteristics, and provided targeted support for the high-quality development of high-end manufacturing, green manufacturing, smart manufacturing and other industries. It continued to expand the scope of financial service groups for small and micro enterprises by focusing on regional specialty industries, advantageous industrial clusters, core supply chains and characteristic industrial parks around chains, systems, platforms, ecology and scenarios.

The Bank accelerated the iteration and innovation of key products to improve the quality and efficiency of providing services to small and micro enterprises. It continued to iteratively upgrade its flagship product “Bohai Bank Housing Loan”, and completed connecting the two fundamental products of “Bohai Bank Commercial Loan” to provide customers with personalized financial services and customized marketing plans, which currently covers various sectors such as tourism, medicine, catering, logistics, agriculture, rural areas and farmers. Leveraging its previous experience in successfully developing the “Bohai Farmer Loans (渤農貸)” product, it continued to develop agriculture-related inclusive products, and successively launched such innovative products as “Bohai Grain Loans (渤糧貸)”, “Bohai Cattle Loans (渤牛貸)” and “Bohai Farmer Loans – Inclusive Farming Loan (渤農貸－普惠農牧)”.

As of the end of the Reporting Period, the balance of inclusive loans of the Bank was RMB51,471 million; the number of inclusive loan accounts was 115,665; and the average loan execution rate was 5.13%.

(II) Retail Banking Business

During the Reporting Period, the retail banking took the transformation to “account-oriented bank”, “wealth management bank” and “eco-friendly bank” as its development goals, focused on customer operation, channel construction, product support, scenario expansion and ecosystem layout, increased retail customer quantity and quality, gradually improved the efficiency of outlets, continuously increased the deposit scale and gradually optimized the loan structure. With solid promotion of digital operation, we fully launched the characteristic ecosystem customer acquisition model represented by smart business circle, and achieved practical results in retail banking transformation.

During the Reporting Period, the retail banking achieved operating income of RMB8,384 million; the balance of personal deposits amounted to RMB201,002 million, representing an increase of RMB32,278 million or 19.13% during the year. The total number of retail customers was 7,712,500, representing an increase of 991,100 or 14.74% during the year.

Customer development

During the Reporting Period, the retail banking actively built diversified customer acquisition channels, created characteristic scenarios and ecosystem, deepened the operation in segmented customer groups, comprehensively promoted the breadth and depth of digital empowerment, and continuously improved the quality and efficiency of customer group services. First, the Bank built a headquarters-to-headquarters customer acquisition channel, enriched the business circle scenarios of outlets, integrated online and offline channels, created an ecosystem platform of “finance + life” smart business circle, and consolidated the retail customer base. Second, the Bank further deepened the operation in different customer groups, formulated an industry-standardized agency service plan around the agency customer groups, continuously improved the service function of the agency area, provided online exclusive services, and further improved the operating level of individual agency customers. Third, the Bank strengthened the construction of customer-centered digital business support system to provide customers with financial service experience emphasizing full companionship, comprehensive insight, devoted customization, and full-time accessibility. As of the end of the Reporting Period, the total number of retail customers was 7,712,500, with an annual increase of 991,100 or 14.74%. The Bank put great efforts in the construction of digital bank, and continued to strengthen its cooperation with internet platform companies in respect of financial services. As at the end of the Reporting Period, a total of 18,922,500 individual customers were served.

Asset business

During the Reporting Period, the retail asset business followed the national credit policy, accelerated the transformation of its business philosophy, and strived to overcome the adverse impact of the real estate market fluctuation and the loan scale decline due to the macroeconomic cycle reasons. By increasing the mortgage loan in key areas and aiming at the innovation of different segments, the Bank realized the business model of “mortgage transfer loans” and “judicial auction housing mortgage loans”, and fully supported the demand for rigid and improvement housing loans. The Bank accelerated the growth of self-managed credit business, focused on creating the self-managed blockbuster product “Golden Lending Loan”, optimized and improved business functions, and enhanced product integration, in-depth marketing and risk control capability. The Bank optimized and adjusted the asset business structure, reduced the proportion of uncertain pure credit platform assets, used portfolio strategy thinking and expanded the business scale of the credit enhancement platform to realize the steady development of the retail asset business. As of the end of the Reporting Period, the personal loan balance was RMB272.743 billion.

Liability business

During the Reporting Period, the liability business returned to the origin of customer management, continued to give play to the value maintaining service capability of deposits for individual customers, and obtained sustainable deposit funds in the process of deepening operations and maintaining customers, thus achieving a rapid increase in the retail deposit scale. First, the Bank grasped the sources of funds, maintained and increased deposits from key customer groups, and continuously optimized the deposit structure and interest payment rate. Second, the Bank developed product advantages and refined the marketing strategy. Third, the Bank developed featured deposit products and functions with scenario integration, continuously enriched the product portfolio, optimized product functions, and further enhanced the service capability of the Bank’s deposit products. As of the end of the Reporting Period, the balance of personal deposits was RMB201.002 billion, an increase of RMB32.278 billion, or 19.13%.

Wealth management

During the Reporting Period, the Bank continuously improved the wealth management service capabilities and enriched the “Boyin E-Finance” product portfolio. In line with the market and customer needs, the Bank innovated the agency sales of wealth management product, and issued “Tian Jin Bao (wealth management)” which supports one-click subscription and redemption and frictionless payment with high liquidity and low risk. Agency sales of standardized trusts created access to 17 series of asset management products, and landed cooperation with 10 trusts and brokers in the finance industry. The Bank accelerated the cooperation with top insurance companies to meet the multidimensional needs of customers in wealth inheritance, asset isolation, compulsory savings, pension planning, education fund planning, health protection, etc. During the Reporting Period, the income from agency insurance business increased by 86.04% year-on-year. The Bank optimized and improved the “financial + non-financial” service capabilities in the private banking business, built a family office service system, and innovatively launched the “Enjoy Bohai” family service trust. The Bank focused on financial services for the aged, continued to create and introduce long-term stable products that meet their needs, and constantly improved four non-financial services for them: health management, social services, elderly communities and consulting.

Credit card business

During the Reporting Period, the Bank unswervingly promoted the change of the business philosophy of credit card business to improve the “service functionality”, focusing on high-quality customers in the industry, serving high-quality business circle consumers and expanding the value scenario installment, and making credit cards an important channel to enhance retail customer stickiness and an effective carrier to enrich the brand of the Bank. The Bank accelerated the digital transformation of credit card business, optimized the credit card activation process, and innovatively launched the Himi Club membership system. During the Reporting Period, the operating income of credit card business was RMB176 million. As of the end of the Reporting Period, the Bank had issued a total of 1,282,200 credit cards and achieved the loan scale of RMB4.75 billion.

(III) Financial market business

During the Reporting Period, the financial market business implemented the requirements of the Bank’s transformation and revitalization of high-quality development and the “ten special tasks”, focused on investment and research capabilities, took trend management as the starting point, and followed the guidance of customer service, strengthened the bond business model and product innovation, firmly established the liquidity bottom line, made steady progress in the scale of various businesses, and greatly improved the transaction ranking. The Bank adhered to the coordinated growth in customer management, provided one-stop comprehensive financial services including currency, bonds, foreign exchange, precious metals, interest rates, exchange rates and credit derivatives, and effectively served the real economy development.

Bond business

Facing the complicated and changeable bond market, the Bank strengthened the bond business development, flexibly utilized multi-strategy portfolio in asset allocation, actively explored bond trading value, earnestly fulfilled its obligation as a comprehensive market maker in the inter-bank bond market, enriched the variety of market-making transactions, and steadily improved comprehensive income from bonds.

During the Reporting Period, the Bank set up a “Bond Center” to co-ordinate the whole Bank’s bond business development, met customers’ direct financing and indirect financing needs through comprehensive financial service schemes, actively participated in projects such as tech finance, green finance, inclusive finance, pension finance and digital finance, and strengthened financial support for key economic areas so that the Bank could elevate the customer level and comprehensive income.

During the Reporting Period, the Bank's spot trading volume exceeded RMB3.6 trillion, an increase of 86% over the previous year. Bond lending volume exceeded RMB500 billion, an increase of 111% over the previous year. The Bank has successively won awards such as X-Lending Active Institution, X-Bond Star, Bond Carry Trading Strategy Star, and X-Bargain Best Performance Award, and was awarded the "Most Popular Credit Bond Market Maker" and nominated as the "Most Popular Interest Rate Bond Market Maker". In terms of bond underwriting, the Bank's underwriting volume in government bonds, local government bonds and policy financial bonds increased by 24% compared with the previous year. The Bank underwrote The Export-Import Bank of China's green financial bonds for the first time as the lead underwriter, and won the "Excellent Underwriter of Financial Bonds", "Award for Promoting Green Development Concept", "Award for Promoting High Level Opening to the Outside World", "Award for Promoting Regional Coordinated Development", "Innovation Cooperation Award" and "Outstanding Progress Award" from The Export-Import Bank of China. The Bank also won the "Excellent Underwriter of Financial Bonds" from China Development Bank, and "Promising Award" from China Agricultural Development Bank.

Treasury business

The Bank paid close attention to market trends, strengthened market research and judgment, expanded the scope of transaction counterparties, and actively carried out various trading businesses. During the Reporting Period, the Bank's money market financing business transaction volume exceeded RMB11 trillion, a year-on-year increase of 58%. The Bank earnestly performed its duty as a primary dealer, and won the "Annual Market Influence Award – Core Dealer" from National Interbank Funding Center, "Excellent Financial Bond Issuer" and "Active Bond Repurchase Dealer" in the Business Development Quality Evaluation of China Bond Market Participants, which greatly enhanced the Bank's influence in the interbank market.

While facing economic inflation changes at home and abroad, the Bank flexibly utilized various foreign exchange strategies to effectively avoid market risks and improve pricing and trading capability. During the Reporting Period, the Bank maintained steady growth in foreign exchange market business, and continued to increase its market influence. The Bank's interbank market ranking in the trading volumes of RMB foreign exchange swaps and RMB foreign exchange options moved up 5 and 25 places respectively compared with the previous year.

Agency business

During the Reporting Period, the Bank made steady development in agency fund trading business. Focusing on the "Boyin Hedge" brand building, the Bank strengthened product innovation, improved the business system, and launched over 10 new agency business products. The Bank strengthened customer promotion and marketing, provided customized business solutions, and kept on product training, compliance training and qualification examination to improve the skill level of product managers. The Bank promoted the construction of the agency fund trading system, enriched product functions and improved business efficiency. Meanwhile, the Bank actively implemented the foreign exchange self-discipline mechanism, strengthened the publication of exchange rate risk concept, and promoted the entity corporate customers to continuously establish the exchange rate risk neutral concept.

Interbank customer management

During the Reporting Period, the Bank solidly promoted the integrated interbank customer management. By strengthening the application of customer territorial management and classification and stratification, the Bank kept building customer KYP profiles to continuously improve the average contribution of interbank customers. During the Reporting Period, the Bank achieved a coverage rate of over 50% of target territorial interbank customers, and over 40% penetration rate of diversified products, while the external credit line increased steadily, with a growth rate of over 5%. At the same time, the Bank promoted the construction of interbank customer manager team, built an interbank customer management system, enhanced the digital management ability and improved the professional management level.

Wealth management business

The Bank's wholly-owned wealth management subsidiary officially opened for business on 3 February 2023, with asset management-related businesses as its main business, such as issuing public and private wealth management products, financial consulting services. During the Reporting Period, the Group continuously enriched wealth management product types, optimized product functions and provided customers with better wealth management services. The Group actively expanded the agency sales channels outside the bank and broadened the asset management customer base. By the end of the Reporting Period, it had reached agency sales cooperation with 23 institutions. During the Reporting Period, the Group issued 504 wealth management products with a total sales amount of RMB771.924 billion. As of the end of the Reporting Period, the Group had 387 wealth management products, with a balance of RMB150.05 billion, of which net-worth wealth management products accounted for 88.00%. Among the wealth management products, closed-end products accounted for 49.45%, and open-end products accounted for 50.55%. The assets of wealth management products were mainly allocated in the fixed income category, of which bonds, non-standardized bonds, bank deposits and equity assets accounted for 57.23%, 18.21%, 14.96% and 4.03% respectively, while the remaining assets, including interbank deposit, bonds purchased under resale agreements, QDII agency overseas wealth management and public funds, accounted for 5.57%.

(IV) Online Financial Business

During the Reporting Period, adhering to the aspiration of "putting people first", the online financial business of the Bank prioritized the needs of customers, comprehensively enhanced the integrated operation capability and value creation capability of our customers, focused on operating of online users and establishing portal pipeline, and accelerated the transformation of online pipeline digitization, so as to provide customers with all-rounded, three-dimensional and zero-distance integrated financial services.

Upgrading service channels to achieve initial results on online digital management

In 2023, the Bank successfully upgraded its mobile banking to version 6.2 around the "finance + life" dual mode. The online digital customer management achieved initial results, as witnessed by a doubling of the monthly active users of mobile banking. The Bank focused on polishing and enriching high-frequency usage scenarios and product service areas such as "Boyin E-finance", "Boyin E-loan", "Boyin E-payment" and "Boyin E-life", and comprehensively improved service capabilities and customer experience. "Boyin E-finance" builds an open platform for wealth products and services, and constantly improves the wealth product portfolio with all markets, strategies and channels. "Boyin E-loan" creates three major product systems: housing, consumption and management. "Boyin E-payment" adheres to the service concept of "people-oriented payment" to meet the fund settlement needs of customers in different scenarios. "Boyin E-life" relies on the "Bo Lan Hui (渤揽惠)" points service platform, and continues to improve comprehensive life scenarios such as local business districts and quality shopping malls, as well as coupon rights services.

Private communication linkage to build scenario service operation capability

In 2023, the Bank started from the scenario ecosystem of key target customers, accurately reached the target customers, and created characteristic and quality ecosystem scenarios.

In terms of digital operation, the Bank strengthened the WeChat ecosystem construction and ecosystem channel linkage, accurately reached the target customers through WeChat unified identification, deeply cultivated high-quality customers, made full use of financial technology, and provided customers with companion remote comprehensive financial innovation services, which built a new format of remote banking operation, and enhanced the ecosystem digital operation capability. The Bank strengthened the multi-channel linkage mechanism between its mobile banking and WeChat ecosystem, 5G message banking, and was equipped with efficient online digital marketing tools to achieve accurate and rapid access to multiple customers and groups, which provided customers with suitable financial products and services and life rights and interests services.

In terms of ecosystem management, the Bank focused on creating smart campus scenario and outlets business district scenario. The smart campus scenario promoted the marketing and service of related customers in the upstream and downstream of the education ecosystem, advanced the development of high-quality education industry customers, and also created a number of government and enterprise canteen projects, which realized scenario linkage. In the business district scenario of outlets, the Bank made efforts to build an ecosystem platform for smart business districts, witnessed the effectiveness in the offline two-way traffic acquisition marketing model, which promoted the development of high-quality merchants around outlets and created a “financial + life” characteristic and quality ecosystem scenario with deep bank-and-merchant cooperation and all-round customer service.

(V) Asset-liability and financial management

During the Reporting Period, guided by Party building and regulatory requirements, the Bank’s asset-liability management focused on “Ten Special Tasks”, optimized the asset-liability structure, strengthened the strategic development direction, strengthened the synergy between resource allocation and business development, and promoted the steady growth of assets and liabilities. According to the internal and external situation changes, the Bank dynamically optimized the MPA and credit scale management mechanism, focused on key areas, improved the fit between business layout and the real economy, and stimulated new impetus for transformation. The Bank strictly abided by the bottom line in liquidity risk preference, optimized the treasury system construction, improved the stability of intraday funds and the comprehensive rate of return on short-term capital, and realized the dynamic balance of liquidity, safety and profitability. The Bank gave full play to the leading role of FTP, dynamically evaluated and updated internal pricing strategies, and conducted business development orientation. The Bank accelerated the capital management system construction process, conducted advance layout in the light capital transformation strategy under the new capital regulations, formulated medium- and long-term capital planning, made room to promote the maximum utility of limited resources. The Bank improved the internal capital adequacy assessment system and information disclosure, strengthened the application and transmission of the second and third pillars, and promoted the improvement of the comprehensive risk management framework. The Bank carried out dynamic management, forward-looking layout and active adjustment in interest rate risk management, and relied on system construction and model application to continuously improve market risk management automation and refinement level. The Bank adhered to the bottom line of compliance management, and solidly promoted the digital management process of intermediary business income and the protection of financial consumers’ rights and interests.

During the Reporting Period, adhering to the guidance of Party building, and centering on the “Ten Special Tasks”, the Bank worked on financial management, further enhanced lean management and focused on value creation to promote high-quality development. The Bank continued to improve the budget assessment system with economic value added as the core which effectively guided its business units to facilitate asset circulation, improve asset profitability, optimize liability structure, reduce interest payment costs for deposits, enhance comprehensive income returns, improve economic capital assessment, and promote the development of capital-light business. The Bank improved the effectiveness of resource allocation, and taking into account volume and price factors, encouraged its business units to optimize their business structures and revenue structures, strengthened risk factor assessment, guided healthy and sustainable business development, improved the assessment mechanism, and encouraged cost savings. The Bank strengthened cost management, pursued cost reduction and efficiency improvement, tapped into cost potential, and optimized management measures on labor costs, branch costs and technology costs in order to improve input and output efficiency. The Bank reinforced financial compliance management, improved the expense management system, standardized the financial reimbursement process, strengthened system control, and implemented financial supervision functions.

(VI) Information Technology Construction

In 2023, adhering to the development vision of a “modern wealth and treasury manager offering the best experience”, the Bank considered digital transformation as the key drivers to achieve high-quality development in the new era. The Bank adhered to the technology and innovation driven strategy to continuously promote the autonomy and control of key technologies. Through cloud computing, artificial intelligence, blockchain and big data technologies, the Bank actively undertook missions related to the “Five Major Developments” and focused on the development of digital finance to activate the digital operation momentum, which helped the Bank to embark on a new journey of transformation, revitalization and high-quality development.

During the Reporting Period, the Bank continued to build a team of talent specialized in digital transformation and strengthened the innovation of technology talents. As of the end of the Reporting Period, the Bank had 1,554 technology personnel, accounting for 11.3% of its contract employees. The Bank strengthened the building of its digital talent team, focused on increasing technology talents in customers, marketing, channels and risk control, and exploring the establishment of a talent appraisal system based on innovation, competence and value contribution, so as to provide talent protection for the business digitalization.

The Bank made every effort to ensure its high-quality development. During the Reporting Period, the Bank invested RMB1.4 billion in technology. The Bank actively implemented the new development concept and explored the rational application of digital technology: launching the “Boyin e-salary” enterprise human resources platform to provide one-stop digital services for enterprises; taking the opportunity of co-constructing ecosystem to serve high-quality industrial chains on the platform, actively promoting the construction of domestic and inter-bank re-factoring products, and providing more diversified financing services for enterprises. The Bank advanced the construction of “Boyin E-payment” and “Boyin E-finance” systems, and innovated differentiated wealth management services; launched retail cash management, weekly auto renewal products and Tian Jin Bao (wealth management) products, and enriched the agency wealth management product types; continued to optimize mobile banking and actively adapted to customers’ needs for efficient and convenient services. The Bank comprehensively promoted the construction of a comprehensive financial market fund business management system and helped quality development of financial market business. At the same time, the Bank comprehensively started the construction of key systems for digital transformation to help build the digital financial service capacity.

During the Reporting Period, the Bank continued to establish a comprehensive and proactive safety production operation system, reinforced the foundation of production operation safety, continuously enhanced the refinement of safety operation management and achieved 99.9% overall system availability rate and the operation indicator of 99.95% key system availability rate during the year. The Bank built a technological foundation for the cloud architecture, accelerated the technological upgrading of cloud architecture, and realized the hybrid deployment of multi-arch service on the Bohai Cloud platform, which will support the long-term construction of the Bank's digital transformation.

(VII) Business Profile of Overseas Branch

The Hong Kong Branch of the Bank was established in 2020 and is the first overseas branch of the Bank. The Hong Kong Branch, as a licensed bank, operates a full range of commercial banking services. Presently, its scope of operations mainly involves wholesale banking and financial market business. The Hong Kong Branch is focusing on cross-border banking services and business development opportunities such as the "Belt and Road", RMB internationalization and the Guangdong-Hong Kong-Macao Greater Bay Area, to enhance the Bank's international business and provide one-stop services for domestic and foreign customers, including a wide range of wholesale banking services and products, such as integrated account management, cross-border RMB, deposits, treasury settlement and clearing, corporate financing business including but not limited to cross-border business, green financing, trade financing, bilateral loans, syndicated loans, collateral loans, guarantee business, etc. At the same time, it is involved in money market business, bond investments, certificate of deposit issuance, notes issuance and foreign exchange transactions, etc. At the end of the Reporting Period, total assets of Hong Kong Branch of the Bank equivalent of HK\$13.60 billion.

(VIII) Business Profile of Subsidiary

Established on September 6, 2022 with its registered office in Tianjin and a registered capital of RMB2 billion, CBHB Wealth Management Co., Ltd. (渤海銀理財有限責任公司) is a wholly-owned subsidiary of the Bank, principally engaged in the public issuance of wealth management products, investment and management of the entrusted investor assets, and consultancy and advisory services on wealth management. As of the end of the Reporting Period, its total assets amounted to RMB2.358 billion and net assets RMB2.218 billion, with operating revenue of RMB389 million and net profit of RMB198 million during the Reporting Period.

XI. COMPREHENSIVE RISK MANAGEMENT

(I) Comprehensive Risk Management Summary

Strictly maintaining the bottom line of risk management, upholding the risk management culture and philosophy featuring “comprehensive, proactive, agile and effective (全面、主动、敏捷、到位)”, and adhering to the “prudent” risk appetite, the Bank continuously improves its ability to prevent and mitigate financial risks, strengthens the characteristics of technology-driven, customer-driven, innovation-driven and data-driven, and further improves the level of refinement, standardization, digitalization and process of risk management, thereby promoting business transformation and upgrading with smart and agile risk control capabilities, and effectively guaranteeing the stable, balanced and sustainable development of the Bank’s various businesses.

The Board of Directors of the Bank assumes the ultimate responsibility for comprehensive risk management. The Risk Management and Green Finance Committee is set up under the Board of Directors, which is responsible to the Board of Directors. The Board of Supervisors of the Bank is responsible for the supervision of comprehensive risk management and is responsible for supervising the performance of the Board of Directors and the senior management in risk management and the rectification. The senior management shall assume the responsibilities for implementing comprehensive risk management and executing the resolutions of the Board of Directors.

The Bank has senior management personnel (the chief risk officer) in charge of risk management line, who shall be responsible for leading the relevant departments of the risk management line to carry out work under the risk management framework of the Bank. The chief risk officer maintains independence and can directly report the overall risk management to the Board of Directors.

The Bank has established a risk prevention system consisting of three lines of defense against each main risk to which it is exposed. The first line of defense of risk management is formed by various business departments, divisions, branches and sub-branches, which are directly responsible for carrying out their risk management functions. The second line of defense is departments of risk management line, Assets and Liabilities Management Department, Internal Control and Compliance Department, the General Office (Public Relations Department) and Office of the Board of Directors, which assume responsibilities for formulating policies and procedures, supervising and managing risk. The third line of defense of risk management is the Audit Department, which assumes audit responsibilities for the performance of the first and second lines of defense.

(II) Credit Risk

During the Reporting Period, the Bank practiced the risk management culture and philosophy featuring “comprehensive, proactive, agile and effective (全面、主动、敏捷、到位)”, and comprehensively improved its risk management capabilities, thereby achieving healthy and stable asset quality, as well as steady and controllable credit risks.

Firstly, consolidating asset quality. The Bank firmly tightened the chord of risk prevention and control and guarded the bottom line of avoiding major risks. We continued to do a good job in the collection and resolution of key monitored assets and set up a special team for risk resolution of large key monitored customers. We adopted a three-tier linkage management model of head office, branches and sub-branches, with head office level leaders taking the lead in organizing risk prevention and resolution, using one policy for one customer in collecting and resolving. We commenced the tracking and evaluation of designated group customers, developed a tracking list of large group customers, and delegated monitoring responsibilities to individuals. We closely monitored the risks of large group customers, conducted real-time monitoring of sudden public opinion and abnormal business trends of large enterprise group customers, and widely collected and deeply analyzed customer risk information. We demanded benefits from non-performing assets, improved the performance evaluation plan related to asset quality, further strengthened the appraisal for cash collection and scale reduction of troubled assets, effectively enhanced the enthusiasm and initiative of collection and resolution work, and improved the quality and efficiency of collection and disposal. As of the end of the Reporting Period, the Bank had an NPL ratio of 1.78%, representing an increase of 0.02 percentage point as compared to the end of the previous year; the allowance coverage ratio was 156.94%, and the allowance to gross loan ratio was 2.79%.

The second is to strengthen basic management. The Bank upgraded the unified credit management and control, completed the optimization of 48 management systems and process points, promoted the smooth launch of the unified comprehensive credit 2.0 system, and optimized 144 function points in 10 business scenarios. The Bank now can fully integrate the low credit risk line and business into the unified comprehensive credit management, realizing the total amount control that runs through the whole process before, during and after credit granting, covering all group customers and all risk exposures, and effectively preventing multiple credit granting and over-credit granting. The Bank further improved the credit approval organizational structure of the head office, unified risk preferences and approval standards, and strengthened centralized and comprehensive customer credit risk identification. The Bank actively carried out monitoring and management, continuously strengthened supervision and inspection, conducted off-site inspection and daily follow-up monitoring of corporate credit approval for branches on a quarterly basis, and dynamically evaluated the corporate credit approval work within the authority of branches to strictly control credit risk and prevent later-leaked problematic credit. The Bank promoted the credit approval data reporting construction, strengthened the data sorting, analysis and refining capability, and improved the credit approval data application level.

Thirdly, optimizing the credit structure. The “China Bohai Bank 2023 Credit Policy” was published, which specified the overall credit strategy of the whole bank, including policies in terms of industry, region, product and customer credit, proposed supporting measures to ensure the implementation of policies from multiple perspectives, strengthened the transmission of risk preference, and fully supported the development of front-line business. With the key support for retail inclusive business development, we followed the business direction of “housing mortgage, big data and strong guarantee (住房抵、大數據、強擔保)”, and focused on achieving “high quality, high volume, and profit creation” of the basic high-quality customer groups. According to the current status and reserves of basic customers of the branches, the list of regional key customers and target customers was released so as to achieve precise and targeted business development. We proactively monitored changes in national and regulatory policies, revised the guidance on credit granting in the real estate industry in a timely manner, formulated proposals on credit granting strategies for operating property mortgages, urban village renovation business and local government-related financing business, made timely adjustments to the business direction and put forward risk management requirements.

The fourth is to improve the system model. The Bank issued four model management systems, namely, Management Measures for Model Risk of China Bohai Bank, Management Measures for Model Verification of China Bohai Bank, Management Rules for Credit Risk Model of China Bohai Bank and Working Rules for Model Management Committee of China Bohai Bank Risk Control Committee, to improve the mechanisms of model commissioning, reuse, removal, verification, review and monitoring, and strengthen overall model management. The Bank set up a model evaluation expert pool covering areas such as business, risk, internal control and asset and liability management. The Bank iteratively upgraded and put into production the decision support engine for real estate credit business, and realized the whole process application of pre-lending marketing decision-making assistance, during-lending risk decision-making and comprehensive evaluation, and after-lending regular automatic monitoring and analysis from three dimensions of customer, region and project. The Bank put into production the risk management cockpit of the government solvency evaluation model, added the function of inquiring and monitoring the model operation, and defined the model application standard in the customer access link, focusing on optimizing user experience and improving model application efficiency. The Bank launched the online financial report risk intelligent identification function, which realizes one-click access to financial report photographing, intelligent identification and risk analysis, actively reveals corporate financial frauds, and assists branches’ quick grasp of the corporate situations. The Bank has successively launched real estate development loans, government credit investment loans, steel industry turnover loans, and interbank credit line expert approval model, providing tool support for the Bank’s corporate credit approval. The Bank started building a new generation of credit risk management platform, deeply integrated all kinds of “digital intelligence” tools into the whole credit management process, improved the automatic information collection efficiency, provided intelligent decision-making support, elevated the post-loan monitoring and management capability, and created a one-stop service platform with a balance between credit operation efficiency and risk management and control.

(III) Liquidity Risk

The Bank adopts a centralized approach with respect to its liquidity risk management and has established a sound governance structure, with clear duties for the Board of Directors, the senior management, special committees and other relevant management departments. The Board of Directors assumes the ultimate responsibility for liquidity risk management, reviews the Bank's acceptable liquidity risk appetites, management strategies, policies, and procedures, supervises the effective management and control of liquidity risk, and approves information disclosure contents, etc. The senior management authorizes its Assets and Liabilities Management Committee to implement specific management work under the liquidity management system and methods approved by the Board of Directors, timely understands and evaluates the liquidity risk level and management status of the Bank, as well as reports to the Board of Directors, etc. The Assets and Liabilities Management Department at the head office is responsible for leading the organization of liquidity risk management for the Bank, formulating liquidity risk management strategies, policies and procedures, and conducting qualitative and quantitative analysis of liquidity risk and other specific management tasks. The departments of corporate banking, retail banking and financial market businesses, among others at the head office, and the subsidiary, the overseas branch, domestic branches and sub-branches engage in their business activities in compliance with the liquidity risk management policies, appetite, processes, limits and other requirements as set down by the Board of Directors and the senior management.

The Bank adheres to prudent liquidity risk management strategies, and clarifies the overall objective, management mode, and main policies and procedures of liquidity risk management. The overall objective of the Bank's liquidity risk management is to reasonably arrange the asset and liability structure and future cash flows, to fulfill the fund payment needs of each business and to ensure compliance with liquidity regulatory indicators, and to reduce extra costs arising from liquidity as much as possible, including the opportunity cost of reserve funds, market financing premium, and loss on realization of assets. The Bank has established a tier-one liquidity reserve mainly consisting of cash and excess reserves, short-term interbank deposits, treasury bonds and policy bank bonds, a tier-two liquidity reserve mainly consisting of local government bonds and high-grade corporate bonds, and a tier-three liquidity reserve mainly consisting of other assets such as monetary funds and bond funds. The allocation of liquidity assets was constantly adjusted for addressing the mismatches between short-term and medium-to-long-term liquidity. In accordance with internal and external requirements and actual business development, through following liquidity risk management policies and procedures, such as cash flow estimate and calculation and analysis, liquidity risk limit management, financing management, daytime liquidity risk management, qualified high-quality liquid asset management, liquidity early warning management, stress tests, and emergency plans, and under the premise of ensuring liquidity safety, the Bank effectively balances the relationship among liquidity, safety and efficiency, so as to promote sustainable and healthy development of business.

Under the guidance of the liquidity risk management policies determined by the Board of Directors, the Bank implements effective identification, measurement, monitoring and control of liquidity risk. Based on cash flow gap analysis, the Bank realizes the liquidity risk management and control under normal circumstances with the help of intraday position management, maturity mismatch management, liquid asset portfolio management and financing strategy management. As for managing intraday positions, the Bank reasonably manages cash flows to balance liquidity and profitability, which is based on the principle of ensuring safety payment and on the integration management of local and foreign currency. As for liquidity mismatch management, the Bank continuously optimized such active management methods as internal limit management, early warning indicators monitoring, and dynamic simulation of regulatory indicators, which not only achieves accurate measurement of static liquidity mismatch, but effectively manages and controls the future liquidity mismatch. As for liquid asset portfolio management and financing strategy management, the Bank timely monitors and optimizes its asset-liability structure, strengthens active liability management, enhances inter-bank customer relationship management, expands active liability channels, and promotes the steady growth of core liabilities. As for emergency management for liquidity risk, the Bank regularly conducts liquidity risk stress tests, carefully evaluates future liquidity needs, maintains sufficient high-quality liquid assets and continuously improves liquidity risk resistance capacity. At the same time, the Bank organizes liquidity crisis response exercises on a regular basis, continuously optimizes the liquidity emergency management system, evaluates the effectiveness of various emergency measures, and ensures the liquidity safety in an emergency environment. The liquidity stress test of mature cash flow gap covers the window periods of 7 days, 30 days and 90 days. During the Reporting Period, the Bank was able to meet the minimum lifetime requirement of not less than 30 days under various stress scenarios, and with the availability of sufficient quality liquid assets which were readily realizable at any time, it could meet the potential liquidity needs under stress conditions. The Bank had formulated the Liability Quality Management Measures of CHINA BOHAI BANK CO., LTD., which was reviewed and approved by the Board of Directors, established a comprehensive and systematic liability business management and risk control system, continued to promote the improvement of liability business management, and enhanced the efficiency and level of financial services to the real economy.

During the Reporting Period, the Bank's liquidity remained reasonably adequate with a stable and controllable liquidity risk level, all liquidity regulatory indicators met regulatory requirements, and major monitoring indicators operated smoothly. There were no liquidity risk events during the Reporting Period. As of the end of the Reporting Period, the Group's liquidity ratio reached 58.40%; the liquidity coverage ratio was 113.60%; the net stable funding ratio was 101.03%; the liquidity matching ratio (on a legal person basis) was 126.66%.

According to the requirements of the Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks (《商業銀行淨穩定資金比例信息披露辦法》), the following table sets out the Group's net stable funding ratio indicator, available stable funding for the numerator item, and required stable funding for the denominator item at the end of December and September 2023:

(Unit: RMB'000)

	December 31, 2023	September 30, 2023
Net stable funding ratio (%)	101.03	100.77
Available stable funding (in RMB)	942,723,127.07	934,936,070.35
Required stable funding (in RMB)	933,067,514.86	927,755,236.64

The following table shows the Group's liquidity coverage ratio indicator:

(Unit: RMB'000)

	December 31, 2023	September 30, 2023
Liquidity coverage ratio (%)	113.60	109.38
Qualified high-quality liquid assets (in RMB)	139,697,189.77	161,515,837.90
Net cash outflow in the next 30 days (in RMB)	122,977,475.70	147,667,299.90

The following table shows the analysis of the Group's non-derivative assets and liabilities based on the relevant remaining maturity dates:

(Unit: RMB'000)

	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Indefinite	Total
Assets	104,711,382	186,418,129	127,725,634	344,023,464	561,386,526	276,369,325	130,548,195	1,731,182,655
Liabilities	292,116,187	220,391,325	235,138,550	533,682,072	317,992,322	1,416,830	16,603,237	1,617,340,523
Net liquidity	(187,404,805)	(33,973,196)	(107,412,916)	(189,658,608)	243,394,204	274,952,495	113,944,958	113,842,132

(IV) Market Risk (Including the Interest Rate Risk in the Banking Book)

The Bank, in strict compliance with relevant requirements such as the Guidance on Market Risk Management of Commercial Bank (《商業銀行市場風險管理指引》) and the Guidelines for the Management of Interest Rate Risk in the Banking Book of Commercial Banks (Revised) (《商業銀行銀行賬簿利率風險管理指引(修訂)》), implements an independent and comprehensive market risk (including interest rate risk in the banking book, similarly hereinafter) management mode. The Board of Directors of the Bank is responsible for reviewing and approving the market risk management strategies, policies and procedures, so as to define the acceptable market risk level of the Bank. The Assets and Liabilities Management Committee under the senior management is responsible for developing, regularly reviewing and overseeing the policies, procedures and workflows relating to market risk, and delineates market risk limits based on the risk appetite outlined by the Board of Directors. The Assets and Liabilities Management Department at the head office is responsible for leading the establishment of the market risk identification, measurement, monitoring, reporting and control mechanisms to ensure that the market risk borne by the Bank is controlled within the risk appetite set by the Board of Directors.

The Bank's market risk management is governed by a comprehensive, sound and prudent principle, and its overall goal is to control the market risk level within its tolerance, by organically combining the identification, measurement, monitoring and control of market risks with the Bank's major operational and management activities including strategic planning, business decision-making and financial budgeting.

The Bank has formulated the Market Risk Management Policy and Administrative Measures for the Classification of Bank Accounts and Transaction Accounts (Revised) on this basis, actively implemented relevant market risk (including interest rate risk in the banking book) regulatory requirements, and established a market risk management system covering all aspects of market risk identification, measurement, monitoring and control. The Bank uses gap analysis, duration analysis, foreign exchange exposure analysis, and scenario analysis to identify and measure market risk, conducts regular stress tests, and monitors and controls risk through limit management.

In respect of the interest rate risk in the banking book, the Bank primarily applies measurement tools such as gap management, sensitivity analysis and duration analysis to manage it. The Bank constantly optimizes a net interest margin analysis system that combines dynamic and static conditions. On the basis of quantitative models and qualitative analysis, the Bank continuously reinforces the research and judgment of interest rate trends, so as to provide decision-making basis for tasks such as allocation of asset-liability structure. As for trading books, the Bank mainly measures, manages and controls through basis point value, value at risk (VAR), position limit, duration and stop-loss limits to ensure that the anticipated income of the trading books matches the trading exposure. In response to exchange rate risk, the Bank sets market risk limits, and effectively manages on-balance sheet foreign exchange risk exposure through derivative financial instruments, such as exchange rate swaps and exchange rate forwards, so as to keep the Bank's total foreign currency exposures to a low level. During the Reporting Period, in accordance with regulatory standards, the Bank's interest rate risk measurement indicator, namely the maximum economic value change under the framework of standardized measurement, accounted for 9.14% of tier 1 capital, and the cumulative foreign exchange exposure ratio within the scope of consolidation was 1.74%. Both the interest rate risk and the exchange rate risk were kept within the internal limits and controllable on the whole.

The market risk-weighted assets measurement uses the standardized approach, and the market risk capital provision covers interest rate risk and specific risks in the trading books, as well as all exchange rate risks and commodity risks. As the trading position is relatively small, the market risk capital occupation is low. During the Reporting Period, there was no occurrence of significant and material market risk issues in the Bank.

The Group's interest rate sensitivity gap

The Group's on-balance sheet interest rate sensitivity gap is classified according to assets and liabilities on the statement of financial position at carrying amounts, by the earlier of the contractual re-pricing date or the maturity date as follows:

(Unit: RMB'000)

	Less than three months	Between three months and one year	Between one year and five years	More than five years	Non-interest bearing	Total
Total assets	724,971,937	424,722,341	415,453,153	71,446,055	96,140,350	1,732,733,836
Total liabilities	740,577,631	526,206,183	307,889,837	1,399,912	42,257,572	1,618,331,135
Total interest rate sensitivity gap	(15,605,694)	(101,483,842)	107,563,316	70,046,143	53,882,778	114,402,701

The Group's interest rate sensitivity

The following table sets forth the results of the Group's interest rate sensitivity analysis on profit before taxation and equity (without tax effect) with an assumption that all other variables held constant:

(Unit: RMB'000)

	(Decrease)/Increase on December 31, 2023
Change in profit before taxation	
Up 100 bps parallel shift in yield curves	(1,781,161)
Down 100 bps parallel shift in yield curves	1,781,161
Change in equity (without tax effect)	
Up 100 bps parallel shift in yield curves	(2,910,658)
Down 100 bps parallel shift in yield curves	2,910,658

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized profit before taxation and shareholders' equity (without tax effect) would have been affected by repricing of the Group's assets and liabilities within the one-year period.

Due to possible inconsistencies between actual conditions and assumptions, the actual changes in the Group's profit before taxation and shareholders' equity (without tax effect) caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

The Group's exchange rate risk exposure

The following table sets forth the distribution of the Group's foreign exchange rate risk exposure as at December 31, 2023:

(Unit: RMB'000)

	RMB	USD equivalent to RMB	Other currencies equivalent to RMB	Aggregate RMB
Total assets	1,619,369,203	95,020,926	18,343,707	1,732,733,836
Total liabilities	1,535,835,618	70,298,730	12,196,787	1,618,331,135
Net exposure amount of balance sheet	83,533,585	24,722,196	6,146,920	114,402,701

(V) Operational Risk

Operational risk is the risk of losses due to problems with internal processes, staff and IT systems, and external events. It includes legal risk but excludes strategic risk and reputational risk.

During the Reporting Period, the Bank continued to strengthen operational risk monitoring and control. The head office optimized the operational risk management indicators of the departments/lines. The first line of defense completed the operational risk assessment on time and timely reported on assessment results and problem findings. The revision of the points management system was completed to establish a mechanism for dynamic adjustment of the points standard, and strengthen the application of the points results. The Bank also launched and promoted the enterprise-level inspection management system across the board, coordinated its on-site inspection work, connected on-site inspection planning, execution and supervision, and carried out operational risk management inspection on branches to gain a comprehensive understanding of their operational risk management, thus actively creating a sound operational risk management culture.

During the Reporting Period, the Bank had no significant cases of operational risk.

(VI) Capital Management

Capital management system structure, management objectives and management measures

The Bank has established a sound capital management system. The Board of Directors assumes the ultimate responsibility for capital management, determines the capital risk appetite, reviews and approves the capital management policies, and authorizes the senior management to exercise capital management functions. The senior management authorizes the Assets and Liabilities Management Committee to specifically exercise the capital management functions and implement the capital planning and capital adequacy ratio objective management. The Assets and Liabilities Management Department is responsible for daily capital management, building the capital management system and process system, and taking the lead in implementing the requirements and objectives of the Board of Directors and the senior management on capital management, in order to ensure that the Bank's capital management meets the risk appetite requirements.

The Bank implements a comprehensive capital management, including capital planning, capital allocation and evaluation, capital monitoring and early warning, internal capital adequacy assessment, capital replenishment and emergency measures, capital measurement and reporting, information disclosure, etc. The capital management objectives of the Bank are to stabilize the capital base, enhance capital strength, promote bank value creation with economic capital as the core, achieve a beneficial balance among capital constraints, risk management, and shareholders' returns, and maintain a satisfactory level of capital adequacy, so as to effectively deal with the major risks and unexpected losses faced by the Bank and ensure the steady operation and sustainable and healthy development of the Bank. The Bank calculated, managed and disclosed capital adequacy ratio based on the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and other relevant regulatory rules. During the Reporting Period, the capital adequacy ratio of the Group and the Bank at all levels met regulatory requirements.

To achieve the above capital management objectives, the Bank adopted the following measures during the Reporting Period: reasonably assessing the capital supply and demand and the capital gap and formulating medium and long-term capital planning and annual capital planning based on the principle of prioritizing capital constraint in accordance with the strategic orientation and risk appetite after fully considering the changes in the external operating environment; continuously improving the mechanism of “endogenous capital replenishment as the main body and exogenous capital supplementation as the support”, promoting the formation of a scientific and reasonable capital structure, and achieving a prudent balance between different components of capital portfolios; strengthening the core concept of capital value creation, improving the capital allocation and assessment system with capital efficiency indicator as the core, enhancing the guidance and support to key businesses by resource allocation, promoting the in-depth application of economic capital in resource allocation, differentiated pricing and performance assessment, and conveying the concept of paid use of capital from multiple perspectives; making full deployment of credit risk projects under the new capital regulation framework; dynamically assessing the impact of the changes in regulatory rules on the capital indicators and business development of the Bank, establishing an integrated system construction plan covering the capital management system and the market risk FRTB system following the regulatory rules and internal management needs; coordinating the renovation of peripheral systems, and continuing to push forward the construction of capital management system; continuously improving the management framework for the Bank’s recovery and resolution plans under crisis scenarios, optimizing the governance structure and working mechanism, and forming differentiated recovery and resolution strategies by combining multi-perspective stress tests and triggering mechanism settings to ensure the sustainability and stability of core business functions under extreme scenarios; carrying out annual internal capital assessment process, covering major risk categories in an all-round manner, systematically assessing capital supply and demand under capital additions and stress scenarios, and formulating emergency plans to deal with stress situations, while optimizing the Pillar 2 capital surcharge mechanism in line with the latest regulatory requirements to improve the comprehensive risk management framework of the Bank.

Method and procedure for internal capital adequacy assessment

The Bank’s internal capital adequacy assessment procedure includes key sectors such as governance structure, risk appetites, risk identification and assessment, capital adequacy ratio stress test, capital assessment, capital planning and emergency management. Based on comprehensive consideration and assessment of the main risks faced by the Bank, we measured the matching level of capital and risk and established a management system that integrated risk and capital to ensure that we maintain a capital level consistent with our risk profile in different market environments.

In accordance with the relevant requirements of the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), the Bank conducts internal capital adequacy assessment on an annual basis and has continuously optimized the methodology. At present, the Bank has formed a relatively standardized governance structure, a supporting policy management system, a complete assessment process, a regular monitoring and reporting mechanism, and an internal audit system, which have met the external regulatory requirements and internal management needs. The current internal capital adequacy assessment procedure has a sound governance structure and clear responsibilities to control various risks effectively. The capital level is commensurate with the risk appetites and risk management level and the capital planning is compatible with the Bank’s operating conditions, risk change trends, and long-term development strategies.

The management plan for capital planning and capital adequacy ratio

The Bank has formulated the Capital Management Plan of CHINA BOHAI BANK CO., LTD. for 2023-2027 (《渤海銀行股份有限公司2023-2027年資本管理規劃》) as required by the regulatory requirements and submitted it to the Board of Directors for consideration and approval. The capital planning comprehensively took into account such factors as macroeconomic situation, regulatory policies and the Bank’s strategic transformation planning, risk appetites and risk assessment results, and financing capabilities to reasonably determine the management objective of internal capital adequacy ratio and prudently estimate the future capital supply and demand. While focusing on the endogenous accumulation of capital and consolidation of profitability, the Bank actively expanded the channels of exogenous capital replenishment to enhance capital strength continuously and fully support the sustainable development of various businesses.

The Bank determined the annual capital adequacy ratio management target within the framework of medium and long-term capital planning, formulated the annual management plan and incorporated it into the bank-wide operation plan to ensure its compatibility with various business plans, and kept capital adequacy ratios at all levels in line with regulatory requirements and internal management targets through such means as dynamic monitoring, analysis and reporting of the capital adequacy ratio, optimization of the asset structure, improvement in the refined management, and timely issuance of capital instruments.

(VII) Information Technology Risk

During the Reporting Period, in accordance with regulatory requirements such as comprehensive risk management and internal control, as well as internal requirements such as risk appetite and information technology risk management policies, the Bank implemented the financial technology transformation and development strategy, effectively performed its duties on the three lines of defense of information technology risk management, continuously improved information technology risk management methods and management mechanism, and continued to promote the rectification of information technology risk issues. There was no occurrence of significant information system emergencies. The information technology risk was controllable as a whole, and the information technology risk preference had not been broken, providing a guarantee for the realization of the financial technology strategic goals.

(VIII) Compliance Risk

Compliance risk status

Compliance risk refers to the risk of being subject to legal sanctions, regulatory penalties, significant financial loss and reputational loss as a result of failure to comply with laws, rules and norms.

The Bank's compliance risk management is composed of the Board of Directors, Board of Supervisors, the senior management, Risk Control Committee, Internal Control and Compliance Department, Audit Department, and various business lines and branches and sub-branches. Our Board of Directors is responsible for reviewing and approving our compliance risk management policies and assumes ultimate responsibility for the compliance of the operational and management activities with relevant applicable laws and regulations. Our senior management is responsible for formulating and implementing compliance risk management policies and organizing the implementation of compliance risk management, whereas the Internal Control and Compliance Department assists our senior management in leading and promoting the daily management of the compliance risk across the bank. Each of the business lines is principally responsible for its compliance with the applicable laws and regulations and compliance risk management.

During the Reporting Period, the Bank deepened the compliance review with system review as the main body, proactively identified, assessed and controlled the compliance risks of new products, new businesses and major projects, strictly controlled the advance pass of compliance risks, and kept the bottom line of compliance; the Bank internalized the external regulations in a timely manner, made express and summary of regulations, and continuously paid attention to and tracked the introduction and changes of regulations; the Bank carried out rules and regulations planning, and clarified system revisions and formulated plans.

Anti-money laundering management status

Adhering to the "risk-oriented" concept, the Bank continuously strengthened the money laundering risk prevention and control responsibility, further consolidated the sense of responsibility, intensified risk control measures and improved management efficiency. The Bank comprehensively improved the anti-money laundering system, reorganized and evaluated the effectiveness of the current anti-money laundering system and process to improve the responsibility requirements and refine the operation process, and thoroughly optimized and improved the anti-money laundering management system. Being problem-oriented, the Bank continued to optimize the anti-money laundering system functions and models and kept improving the intelligent and refined management level of anti-money laundering work. The Bank organized multi-channel and multi-level anti-money laundering training, deepened awareness of anti-money laundering initiative, and gradually improved professional quality and risk control ability. The Bank extensively carried out publicity work on anti-money laundering, anti-terrorist financing and prevention of illegal fund-raising, increased its publicity and popularization to the public, earnestly fulfilled anti-money laundering obligations, and strived to safeguard social security and financial stability.

During the Reporting Period, there was no occurrence of significant and material money laundering risk issues in the Bank.

(IX) Strategic Risk

During the Reporting Period, the Bank thoroughly implemented the major strategic arrangements and specific requirements of the Party and the State, deeply understood the spirit of the 20th Party Congress, the Central Financial Work Conference and the Central Economic Work Conference, and thoroughly implemented the important instructions of the Party, the State, and the Municipal Party Committee and the Municipal Government of Tianjin. The Bank effectively unified thoughts and actions with the main objectives and tasks of the Central and Municipal Party Committees on economic and financial work in the coming period, timely analyzed and judged the macroeconomic situation at home and abroad, benchmarked the practices of industry leaders, and effectively carried out strategic risk management.

Strengthening strategic planning evaluation and calibration. In order to cope with the uncertainty of the economic and social environment in the post-pandemic era, the Bank continued to follow up and evaluate the development strategy implementation. In May 2023, the Bank started the strategic planning mid-term evaluation in due course, and compiled the Mid-term Evaluation Report on the Plan for Development Strategy of China Bohai Bank Co., Ltd. (2021-2025), which was reviewed and approved by the Board of Directors. In combination with the major urgent problems and the risk and challenges, the Bank focused on implementing the national strategy and the "Ten Actions" in Tianjin, and studied and formulated the "Ten Special Tasks" around the existing business development needs and its own characteristics, namely "full and rigorous Party governance, recovery of distressed assets, capital replenishment, liquidity, customer base and business structure, asset circulation, risk control and compliance, cost reduction and efficiency enhancement, talent recruitment, and self-improvement at branch level", to strive to achieve transformation, revitalization and high-quality development.

Enforcing strategy implementation monitoring and supervision. In accordance with the general working idea of "building a framework, establishing a mechanism, improving capacity and strengthening assessment", the Bank established a normalized monitoring system and supervision mechanism for the strategy implementation, and steadily promoted the strategy implementation. On the basis of the Administrative Measures for Strategic Planning Implementation of China Bohai Bank (Trial), the Bank further formulated the Implementation Plan of the 4th Five-Year Plan of China Bohai Bank, which clarified the strategic decoding, strategic assessment, implementation monitoring, implementation mechanism, support guarantee and 2023 action plan, and solved the problems of "what to do, who and how to do it" in China Bohai Bank's strategy implementation.

Strengthening the consensus and implementation of the leading role of asset quality, existing assets and incremental assets. The Bank takes improving asset quality as the premise and foundation, revitalizing the existing assets as the urgent need and key, and cultivating the increment assets as the path and support, and strives to create a new situation of transformation, revitalization and high-quality development. On the one hand, the Bank further clarified the strategic orientation and development direction, and formulated the Implementation Plan for "Revitalizing the Existing Assets, Cultivating Incremental Assets and Improving Asset Quality" of China Bohai Bank (Version 2.0). On the other hand, the Bank strengthened the strategy implementation management, reinforced the work responsibility, and set up a leading group for deepening reform, transformation and revitalization of China Bohai Bank to achieve high-quality development, effectively strengthening organizational leadership, overall coordination and promoting implementation, and advancing all work for actions and results. The Bank formulated the Account of Key Projects for China Bohai Bank to Implement the Work of "Asset Quality, Existing Assets and Incremental Assets" in 2024, further refined and decomposed on the basis of the original "Ten Special Tasks" to form certain subtasks, defined the responsible persons, timetable and deliverables, reinforced advancement and implementation, and won the trust with performances and deeds.

(X) Reputational Risk

Reputational risk refers to the risk of forming negative evaluation of the Bank by stakeholders, public or media due to the Bank's behaviors, employees' behavior or external events, etc., which in turn damages the brand value, has an adverse effect on the normal operation, and even affects market stability and social stability. During the Reporting Period, the overall public opinion of the Bank was good, and no major reputation incident occurred.

The Bank always attaches great importance to reputational risk management and regards reputational risk management as an important task to ensure the normal development of business, create a harmonious public opinion environment, and maintain a good image of the company and the industry.

During the Reporting Period, the Bank strictly implemented the Rules on Reputational Risk Management of Banking and Insurance Institutions (Provisional) (Yin Bao Jian Fa [2021] No.4), and continued to adhere to the basic management principles of "being forward looking, matching, comprehensive and effective" and implementation principles of "hierarchical management, division of responsibilities, real-time monitoring and prevention, rapid response, classified disposal, dedication to duties and responsibilities, and coordinated response". The Bank established and improved the reputational risk management and working mechanism covering the whole event process, and continuously promoted the reputational risk management capability and professional level. The Bank strengthened the normalization construction and internal coordination mechanism of reputational risk management, effectively reinforced the managing accountability of the party causing the incident, built a no-dead-angle, closely coordinated reputational risk prevention and control linkage mechanism, and continuously improved the management quality and efficiency. The Bank strengthened the risk source prevention and control, organized in-depth investigation, identification, evaluation, monitoring and disposal plan formulation of reputational risks, comprehensively investigated the trigger factors of reputational risks, and made overall plans to reinforce reputational risk prevention and resolution in key areas, major events and sensitive time points. The Bank conducted customized policy for each case, made precise efforts, continuously improved the quality and efficiency of public opinion response and disposal, and firmly held the bottom line that no major reputational risks will occur. The Bank established a unified information release mechanism to timely release information and responded to social concerns caused by the official website document of the Department of Housing and Urban-Rural Development of Hunan Province in March 2023. The Bank organically combined normalized training and drills to continuously strengthen professional capacity building and further consolidate the foundation for reputational risk management. The Bank continued to objectively show the business characteristics and performance trends to the media and the public, closely focused on the Bank's positive measures, featured products and quality services in serving the national strategy, supporting the real economy and strengthening the protection of consumers' rights and interests. The Bank organized positive publicity, and continued to tell the "Bohai Story" to enhance the brand image and accumulate reputation capital.

(XI) Country Risk

The Bank incorporates country risk management into its comprehensive risk management system. In accordance with the regulatory requirements, the Bank dynamically monitors changes in country risks, formulates country risk limits in conjunction with the rating results of external international rating agencies, regularly monitors the implementation of country risk limits, continuously improves the level of automatic monitoring of country risk information, and promotes the comprehensive tracking and control of changes in the risk conditions of the countries or regions where its branches are located and their business spread across.

In 2023, the Bank formulated and published the Country Risk Rating and Quota Management Scheme of CHINA BOHAI BANK CO., LTD. for 2023 in accordance with the regulatory requirements. It further regulated the identification, assessment, measurement and control of country risks. At the same time, the Bank conducted regular country risk stress tests to consider the impact of the possible country risk exposures on the Bank's capital under extreme but reasonable scenarios. During the Reporting Period, the Bank mainly focused on domestic business activities, and its cross-border counterparties were mainly concentrated in developed countries. The Bank's assets involving country risk exposure were small in size, so the country risk was under overall control.

(XII) ESG Risk

During the Reporting Period, the Bank earnestly fulfilled its environmental and social responsibilities, put effort into creating social value, and built itself as a responsible bank with leading concepts, sustainable economy and outstanding ESG performance, which improved its own ESG performance.

Taking comprehensive consideration of its business development needs under the goals of carbon peaking and carbon neutrality, the Bank fully supported green and sustainable business development, actively guided credit resources to invest in green finance, and promoted the implementation of the green financial transformation indicators under the Fourth "Five-Year Plan". The Bank also strengthened industry ESG risk management, incorporated ESG risk management requirements into industry credit policies, implemented differentiated ESG credit strategies, and actively guided credit resources to invest in green transportation, energy conservation and environmental protection, advanced manufacturing, strategic emerging industries, new infrastructure construction and other green industries with good market prospects in line with relevant ESG requirements, low energy consumption, low emission and low pollution.

The Bank actively promoted the construction of the ESG risk management system, formulated the ESG Risk Management Policy of CHINA BOHAI BANK CO., LTD., to incorporate ESG risks and climate-related financial risks into the comprehensive risk management system, clarify the ESG risk management functions of the Board of Directors, the Board of Supervisors, the senior management and the management departments, establish and improve the ESG risk management decision-making mechanism at an advanced level in the industry, and strengthen the major decision-making functions of the Board of Directors and special committees in ESG management. The Bank established and improved the ESG risk management system of its investment and financing business, and revised and published the "Management Measures of ESG Risk of Credit Business of China Bohai Bank", in order to orderly embed ESG risk management requirements into the entire process of investment and financing business risk management. The Bank also actively responded to climate-related financial risks, continued to promote stress testing on sensitivity to climate risk, assessed the potential impact of transformation in line with the goals to achieve carbon peaking and carbon neutrality on the Bank's credit assets, and optimized and adjusted its credit policy.

XII. ANALYSIS OF CORE COMPETITIVENESS

During the Reporting Period, the Bank continuously optimized the customer structure, implemented the national industrial policy, actively advanced business development and transformation. The Bank actively supported and actively served national strategic projects. The Bank's core advantages are mainly reflected in the following four aspects:

Firstly, the Bank is at an advantage of having a national joint-stock commercial bank license. The Bank is the only national joint-stock commercial bank established since the amendment of the Commercial Banking Law in 2003, the first national joint-stock commercial bank headquartered in Tianjin, and the first national joint-stock commercial bank to introduce foreign strategic investors at the start-up stage since 2000. Its national banking license is a scarce resource. Based on the construction of a financial power, the Bank will make full use of Tianjin's geographical advantage of being located in the overlapping area of a number of national strategies, fully support the synergistic development of Beijing-Tianjin-Hebei, serve various national strategies, and empower entities and technology, providing high-quality comprehensive financial services for the construction of Chinese-style modernization.

Secondly, the Bank has basically completed its strategic deployment in major provincial capitals and economically important cities across the country. The Bank's network is concentrated in the economically developed regions in China with a focus on supporting national strategies and improving the network capacity. The branches and sub-branches in major free trade zones across the country and the Hong Kong Special Administrative Region can serve as a bridgehead for its international business and services to international customers.

Thirdly, the Bank has scarce resources such as wealth management subsidiary and capital operation center licenses. Business synergies are created within the Group. The increasingly improved and diversified services to customers are conducive to the provision of multi-category, multi-channel, multi-chain and full-cycle integrated financial services solutions to various target customers of the Bank.

Fourthly, the Bank has become an H-share listed bank. It has realized a supervision and improvement mechanism for the Bank's corporate governance and information disclosure based on capital market rules, which is conducive to the continuous improvement of the corporate governance level of the Bank, expanding international vision and establishing an international brand.

In the future, the Bank will firmly grasp keeping political consciousness in mind and putting people first in the financial work, focus on the principal responsibilities and businesses, and empower entities and technology based on the construction of a financial power as a bank with value providing high-quality integrated financial services for the construction of Chinese-style modernization. The Bank will promote its transformation and revitalization for high-quality development, create greater value and returns for Shareholders, assume greater responsibility and commitment to society, and fulfill its responsibilities and obligations for the development of the economy and society in the new era.

XIII. FUTURE DEVELOPMENT OUTLOOK

(I) Economic, Financial and Banking Outlook

In 2024, the global economic growth will be more complicated due to the supply chain interruption, the trade relations reconstruction, the multiple elections in the United States and other countries, the more intense geopolitical tensions, the extreme weather conditions and the uncertainty brought about by the new technology revolutions. The World Bank released the latest issue of Global Economic Prospects on 9 January, and estimated that the global trade growth in 2024 will be only half of the average level in the decade before the pandemic, and the global economic growth rate will drop from 2.6% in 2023 to 2.4% in 2024. The global inflation rate will continue to fall. The US-led major western economies may start the interest rate cut cycle in succession.

In 2024, external demand will be constrained by the global economy growth slowdown, and the net export contribution to China's economic growth is expected to be limited. Expanding domestic demand will be the key to China's further economic recovery. The macro-policies will strengthen counter-cyclical and cross-cyclical adjustment. The proactive fiscal policy will be moderate to improve quality and increase efficiency, and the central government is expected to increase its leverage and share more debt burdens. The prudent monetary policy will be flexible, moderate, accurate and effective, and liquidity will remain reasonably sufficient. The policy side will pay more attention to the social financing growth and price level. The central bank may continue to inject liquidity into the market through reserve requirement ratio cuts, as well as refinancing, medium-term lending facility (MLF), pledged supplemental loans (PSL) and other balance sheet expansions. Fiscal and monetary policies will strengthen the synergy and promote high-quality economic development. In 2024, consumption is expected to recover further, the real estate investment may stabilize, infrastructure and manufacturing investment could grow rapidly, and the contribution of capital formation to economic growth may increase.

In 2024, the net interest margin of commercial banks is expected to enter a low-level oscillation for consolidation, and the narrowing pressure will be eased. The asset quality of the banking industry will be under pressure to a certain extent. In accordance with the requirements of the Central Financial Work Conference "Revitalize the financial resources occupied inefficiently and improve the capital use efficiency", and taking into account capital constraints and other factors, in 2024, banks will pay more attention to revitalizing existing loans and improving existing loan efficiency, and guiding the optimization of the existing loan proportion structure through adjusting incremental loan investment. Banks will further emphasize the overall asset-liability planning, and try to increase the proportion of demand deposits, thus somewhat alleviating the deposit cost pressure. Commercial banks, especially small and medium-sized banks, will increase their capital replenishment efforts to ensure five major developments: technology finance, green finance, inclusive finance, pension finance and digital finance, so as to better serve the role of "leading modern industrial system construction with scientific and technological innovation", support the development of the new quality productive forces, help expand domestic demand and promote Chinese modernization. The comprehensive risk management and consumer rights protection of banks will be further strengthened, and the overall banking operation will continue its high-quality development.

(II) Guiding Ideology and Major Measures for the Bank's Business Development in 2024

In 2024, the Bank will adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implement the spirit of the 20th CPC National Congress and the Second Plenary Session of the 20th CPC Central Committee, conscientiously implement the spirit of the Central Financial Work Conference and the Central Economic Work Conference, thoroughly study, publicize and implement the spirit of the important speech made by General Secretary Xi Jinping during his visit to Tianjin, strive to follow the decision and deployment of the CPC Central Committee and the State Council, and fully comply with the requirements of the regulatory policies. Under the leadership of the Party Committee of the head office, the Bank will insist on the general principle of seeking progress while maintaining stability, promoting stability through progress, and establishing the new before abolishing the old. It will continue to gain insight into the "timing" and the "trend", deepen its "knowledge" and "action", coordinate "stability" and "progress", comply with the financial rules, use finance to do good, seek financial reality, establish a spirit of self-revolution, cultivate a sense of self-correction and form a system of self-improvement. It will actively make progress in mode switching, structural adjustment, quality improvement and efficiency growth, intensify and solidify the "Five Major Developments", continuously promote the "Ten Special Tasks", strive to build a responsible, professional and refined China Bohai Bank to promote the high quality development with new results.

Major work measures: Firstly, strengthening party building to lead high quality development. Adherence to party leadership and strengthening party building will be implemented into all aspects of operation and development at all levels to consolidate and expand the achievements of theme-based education, gather greater development synergy, and exercise full and strict governance over the party, thus creating a clean and positive political ecology. Secondly, strengthening the asset and liability management to make every effort to boost revenue. The active liability management, the precise asset management and the comprehensive asset and liability management will be strengthened to make every effort to grow non-interest income. Thirdly, promoting the corporate business for organic integrated development. Adherence to serving the real economy as the Bank's fundamental purpose will deepen the transformation of the marketing functions of the corporate business, continuously innovate products and business models, and strengthening its cornerstone role. Fourthly, promoting the retail business for transformation and quality development. Every effort will be made to gain customers in four ecosystems, and the operations of the wealth business will be comprehensively enhanced, thus accelerating the quality and efficiency improvement in the loan business, and further strengthening the consolidation of the management. Fifthly, promoting the financial markets business for innovation and further development. The role of the Bond Center will be strengthened to facilitate the transformation of the business strategies for interbank clients, vigorously develop the agency trading business, and capitalize on the synergy of the wealth management subsidiary. Sixthly, strengthening risk control and prevention to encourage healthy development. Various risks will be closely monitored all the time to build up risk control barriers. The risk policy will be continuously improved and the control over the quality and efficiency of credit review and approval and the management process will be strengthened to further consolidate the line of defense for risk management and control, reinforce the management responsibility of the branches and sub-branches, and optimize the asset quality. Seventhly, paying close attention to compliance and case prevention, highlighting the rigid control. The system "fence" will be well installed and close attention will be paid to "key things", "key persons" and "key actions". Strict and thorough investigation will be undertaken whenever necessary. Eighthly, promoting technological support to empower business development. The construction of key systems for digital transformation will be promoted, and data governance and data security management will be strengthened, thus moving forward digital intelligence empowering business development. Ninthly, paying close attention to lean management to build a solid foundation for protection. The shortcomings will be continuously made up for and long-term plans will be formulated during the development with creating new models before demolishing the old ones and giving priority to what is urgently needed, thus significantly improving the level of refined management.

Changes in Share Capital and Information on Shareholders

I. CHANGES IN ORDINARY SHARES

There was no change in the Bank's ordinary shares during the Reporting Period. The Bank's ordinary shares are as follows:

	December 31, 2022		Changes during the Reporting Period (shares)	December 31, 2023	
	Number (shares)	Percentage (%)		Number (shares)	Percentage (%)
Domestic Shares	11,561,445,000	65.09	–	11,561,445,000	65.09
H Shares	6,200,555,000	34.91	–	6,200,555,000	34.91
Total ordinary shares	17,762,000,000	100.00	–	17,762,000,000	100.00

Note: As of the end of the Reporting Period, the Bank had 77 Shareholders, including 11 holders of Domestic Shares and 66 holders of H Shares.

II. SHAREHOLDING OF TOP 10 SHAREHOLDERS OF ORDINARY SHARES

As of the end of the Reporting Period, shareholding of top 10 Shareholders of ordinary shares of the Bank was as follows:

Name of Shareholder	Nature of Shareholder	Changes during the Reporting Period (shares)	Number of shares held at the end of the Reporting Period (shares)	Shareholding percentage (%)	Class of shares
TEDA Investment Holding Co., Ltd. ⁽²⁾	State-owned legal person	–	3,612,500,000	20.34	Domestic Shares
HKSCC Nominees Limited ⁽³⁾	Overseas legal person	4,420	3,311,751,900	18.65	H Shares
Standard Chartered Bank (Hong Kong) Limited	Overseas legal person	–	2,888,555,000	16.26	H Shares
China Shipping Investment Co., Ltd.	State-owned legal person	–	1,975,315,000	11.12	Domestic Shares
State Development & Investment Corp., Ltd.	State-owned legal person	–	1,686,315,000	9.49	Domestic Shares
China Baowu Steel Group Corporation Limited	State-owned legal person	–	1,686,315,000	9.49	Domestic Shares
Oceanwide Industry Co., Ltd.	Domestic non-state-owned legal person	–	1,370,706,739	7.72	Domestic Shares
Tianjin Shanghui Investment Holding Company Limited	Domestic non-state-owned legal person	–	1,156,000,000	6.51	Domestic Shares
Shine Enterprise (Tianjin) Co., Ltd.	Domestic non-state-owned legal person	–	29,424,331	0.17	Domestic Shares
Tianjin Xianghe Enterprise Management Consulting Co., Ltd.	Domestic non-state-owned legal person	–	14,712,166	0.08	Domestic Shares
Tianjin Firstwood Co., Ltd.	Domestic non-state-owned legal person	–	14,712,166	0.08	Domestic Shares

Notes: (1) The above information is prepared based on the share registration as of December 31, 2023 of the Bank's Share Registrar.

(2) TEDA Investment Holding Co., Ltd. confirmed that, as of the end of the Reporting Period, in addition to the 3,612,500,000 Domestic Shares of the Bank directly held, Jinlian (Tianjin) Finance Lease Co., Ltd., one of its subsidiaries, also held 48,438,000 H Shares of the Bank through HKSCC Nominees Limited. As such, TEDA Investment Holding Co., Ltd. and its subsidiary held a total of 3,660,938,000 shares of the Bank, representing shareholding of 20.61%.

(3) The shares held by HKSCC Nominees Limited as agent are the total amount of shares in the Bank's H-share investors' accounts traded on the trading platform of HKSCC Nominees Limited.

III. INFORMATION OF SUBSTANTIAL SHAREHOLDERS UNDER THE INTERIM MEASURES FOR THE EQUITY MANAGEMENT OF COMMERCIAL BANKS

According to relevant requirements of the Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》), as of the end of the Reporting Period, the relevant information of substantial Shareholders of the Bank was as follows:

(I) TEDA Investment Holding Co., Ltd.

TEDA Investment Holding Co., Ltd. is principally engaged in three major businesses, namely, industry, finance and urban comprehensive development, while strengthening the two major functions of capital operation and asset management. Registered capital: RMB14.57695 billion; legal representative: QU Defu; Add.: 1201, No. 9 Shengda Street, Tianjin Economic-Technological Development Area; controlling shareholder: Tianjin SASAC; actual controller: Tianjin SASAC. As of the end of the Reporting Period, TEDA Investment Holding Co., Ltd. pledged 1,651,173,678 shares of the Bank.

(II) Standard Chartered Bank (Hong Kong) Limited

Standard Chartered Bank (Hong Kong) Limited is a bank incorporated and domiciled in Hong Kong. It was established on December 12, 2003 and its registered address is 32/F, 4-4A Des Voeux Road Central, Central, Hong Kong. It is mainly engaged in the provision of banking and related financial services. Controlling shareholder: Standard Chartered PLC; actual controller: Standard Chartered PLC. As of the end of the Reporting Period, none of the shares of the Bank held by Standard Chartered Bank (Hong Kong) Limited had been pledged or frozen.

Standard Chartered PLC was established on November 18, 1969 in London, UK, mainly providing a full range of banking and financial services. Registered address: 1 Basinghall Avenue, London EC2V 5DD, United Kingdom; chairman: José Viñals; CEO: Bill Winters.

(III) China Shipping Investment Co., Ltd.

China Shipping Investment Co., Ltd., established on June 26, 1998, is a wholly-owned subsidiary of COSCO SHIPPING Development Co., Ltd. Its business scope: industrial investment and equity investment. Registered capital: RMB21.383 billion; legal representative: DU Haiying; Add.: Room 100, 1/F, Block 6, No. 58 Rui Xing Road, Lin-Gang New Area, China (Shanghai) Pilot Free Trade Zone; controlling shareholder: COSCO SHIPPING Development Co., Ltd.; actual controller: SASAC. As of the end of the Reporting Period, none of the shares of the Bank held by China Shipping Investment Co., Ltd. had been pledged or frozen.

COSCO SHIPPING Development Co., Ltd. was founded on March 3, 2004. Its business scope: shipment of domestic general cargo ships along the coast and in the middle and lower reaches of the Yangtze River and domestic coastal feeder liners for foreign trade containers, international shipping (including liner shipment of container), manufacturing, repair, leasing of containers, ship leasing, and trading of self-owned container and self-used ship. Marine management, technical management and ship repair, maintenance, trading, leasing, operation, asset management and other ship management services of domestic coastal general cargo ships (except bulk ships). For the projects that must be approved according to law, the business activities can be carried out only after the approval of relevant departments. Registered capital: RMB13.573299906 billion; legal representative: ZHANG Mingwen (the acting legal representative); Add.: Room A-538, International Trade Building, China (Shanghai) Pilot Free Trade Zone.

(IV) State Development & Investment Corp., Ltd.

State Development & Investment Corp., Ltd. was founded in 1995. The company has always adhered to serving the nation strategy, regarded promoting structural optimization, building a better life, promoting technological innovation, and leading industrial upgrading as its mission, and played the leading and driving role of state-owned capital in important industries and key fields. The company targets to build a world-class capital investment company with a focus on four major business segments, namely “energy industry”, “digital/technology”, “people’s livelihood and health” and “industrial finance”. Registered capital: RMB33.8 billion; legal representative: FU Gangfeng; Add.: International Investment Building, No.6-6 Fuchengmen North Street, Xicheng District, Beijing; controlling shareholder: SASAC; actual controller: SASAC. As of the end of the Reporting Period, none of the shares of the Bank held by State Development & Investment Corp., Ltd. had been pledged or frozen.

(V) China Baowu Steel Group Corporation Limited

China Baowu Steel Group Corporation Limited, formerly known as “Shanghai Baosteel Group Corporation (上海寶鋼集團公司)” and “Baosteel Group Corporation (寶鋼集團有限公司)”, with its predecessor being Baoshan Iron and Steel (Group) Corporation (寶山鋼鐵(集團)公司), was founded on January 1, 1992, and is a legally established wholly state-owned corporation for which the SASAC performs the duties of investor on behalf of the State Council. Its main business scope includes permitted projects: retail of publications; wholesale of publications (Projects that are subject to approval in accordance with laws shall only be carried out upon approval by relevant authorities. The specific business projects are subject to the approval documents or permits of relevant authorities); general projects: investment activities with self-owned funds; investment management; asset management services invested with self-owned funds; corporate headquarters management; leasing of land use rights; non-residential real estate leasing; taxation services; human resource services (excluding employment intermediary activities and labor dispatch services); market entity registration agency; business agency services; undertaking outsourcing of file services; bidding agency services; big data services; business management consulting (Except for projects subject to approval in accordance with laws, business activities shall be conducted independently with the business licences in accordance with laws). Registered capital: RMB52.791101 billion; legal representative: HU Wangming; Add.: No.1859 Shibo Avenue, China (Shanghai) Pilot Free Trade Zone; controlling shareholder: SASAC; actual controller: SASAC. As of the end of the Reporting Period, none of the shares of the Bank held by China Baowu Steel Group Corporation Limited had been pledged or frozen.

(VI) Oceanwide Industry Co., Ltd.

Established in November 1992, Oceanwide Industry Co., Ltd. is an important investment holding and property leasing platform under China Oceanwide Holdings Group Co., Ltd. Registered capital: RMB24 billion; legal representative: LI Minghai; Add.: No. 6602 Dongfeng East Street (inside the Oceanwide City Garden (泛海城市花園)), Weifang Hi-Tech Industrial Development Zone, Shandong Province; controlling shareholder: China Oceanwide Holdings Group Co., Ltd.; actual controller: LU Zhiqiang. As of the end of the Reporting Period, 1,370,706,739 shares of the Bank held by Oceanwide Industry Co., Ltd. had been judicially frozen or on the freezing list.

China Oceanwide Holdings Group Co., Ltd., established in April 1988, mainly engages in investment in infrastructure projects and industries, capital operation & asset management, hotel & property management, among others. Registered capital: RMB20 billion; legal representative: LU Zhiqiang; Add.: 23/F, Building C, Minsheng Financial Center, No. 28 Jianguomennei Avenue, Dongcheng District, Beijing.

(VII) Tianjin Shanghui Investment Holding Company Limited

Established on April 5, 2004, Tianjin Shanghui Investment Holding Company Limited is an investment company with private capital and focuses on financial capital investment. Registered capital: RMB1.16 billion; legal representative: ZHANG Yunji; Add.: Room B318, Building 8, East Area, Airport Business Park, No. 80 Huanhe North Road, Tianjin Pilot Free Trade Zone (Airport Economic Zone); the company has no controlling shareholder or actual controller. As of the end of the Reporting Period, none of the shares of the Bank held by Tianjin Shanghui Investment Holding Company Limited had been pledged or frozen.

Each substantial Shareholder of the Bank did not authorize any other person to or accept any other person's authorization to hold shares of the Bank, and there were no other ultimate beneficiaries. As of the end of the Reporting Period, except that TEDA Investment Holding Co., Ltd. and its subsidiary, Jinlian (Tianjin) Finance Lease Co., Ltd., held in total 3,660,938,000 shares of the Bank, there is no person acting in concert among other substantial Shareholders. All the seven substantial Shareholders nominated Directors to the Bank. In particular, Mr. QU Defu and Mr. ZHUANG Qifei were nominated by TEDA Investment Holding Co., Ltd., and Mr. LUAN Xianzhou was nominated by Oceanwide Industry Co., Ltd., the qualification of whom is subject to approval by the regulatory authorities.

The Bank has treated its substantial Shareholders and their controlling shareholders, actual controllers, persons acting in concert, ultimate beneficiaries etc., totaling 3,324 enterprises as related parties of the Bank in management in light of their relationship with the Shareholders. For details on related party transactions, please refer to "Audit Report and Financial Report – Notes to the Consolidated Financial Statements: 'Related parties'" in this annual report.

IV. CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER

During the Reporting Period, the Bank had no controlling shareholder or actual controller.

V. INTERESTS AND SHORT POSITIONS OWNED BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE BANK'S SHARES UNDER HONG KONG LAWS AND REGULATIONS

As of the end of the Reporting Period, to the knowledge of the Directors or chief executives of the Bank, as recorded in the register required to be kept under section 336 of the SFO, the following persons (other than the Directors, Supervisors and chief executives of the Bank) had or were deemed to have interests and short positions in the shares or underlying Shares of the Bank which would be required to be disclosed to our Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of interest	Class of shares	Long positions/ short positions	Number of shares directly or indirectly held	% of interest in the Bank	% of the relevant class of shares
TEDA Investment Holding Co., Ltd.	Beneficial owner	Domestic Shares	Long positions	3,612,500,000	20.34	31.25
	Interest in controlled corporation ⁽¹⁾	H Shares	Long positions	48,438,000	0.27	0.78
Standard Chartered PLC ⁽²⁾	Interest in controlled corporation	H Shares	Long positions	2,888,555,000	16.26	46.59
Standard Chartered Bank (Hong Kong) Limited	Beneficial owner	H Shares	Long positions	2,888,555,000	16.26	46.59
China COSCO Shipping Corporation Limited ⁽³⁾	Interest in controlled corporation	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
China Shipping Group Company Limited ⁽³⁾	Interest in controlled corporation	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
COSCO SHIPPING Development Co., Ltd. ⁽³⁾	Interest in controlled corporation	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
China Shipping Investment Co., Ltd.	Beneficial owner	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
State Development & Investment Corp., Ltd.	Beneficial owner	Domestic Shares	Long positions	1,686,315,000	9.49	14.59
China Baowu Steel Group Corporation Limited	Beneficial owner	Domestic Shares	Long positions	1,686,315,000	9.49	14.59

Name of Shareholder	Nature of interest	Class of shares	Long positions/ short positions	Number of shares directly or indirectly held	% of interest in the Bank	% of the relevant class of shares
LU Zhiqiang ⁽⁴⁾	Interest in controlled corporation	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
HUANG Qiongzi ⁽⁴⁾	Interest of spouse	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Tohigh Holdings Co., Ltd. ⁽⁴⁾	Interest in controlled corporation	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Oceanwide Group Co., Ltd. ⁽⁴⁾	Interest in controlled corporation	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
China Oceanwide Holdings Group Co., Ltd. ⁽⁴⁾	Interest in controlled corporation	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Oceanwide Industry Co., Ltd.	Beneficial owner	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Tianjin Shanghui Investment Holding Company Limited	Beneficial owner	Domestic Shares	Long positions	1,156,000,000	6.51	10.00
Shandong Gold Financial Holdings Group (HongKong) Co., Limited	Beneficial owner	H Shares	Long positions	327,294,500	1.84	5.28
Yichang HEC Health Pharmaceutical Co., Ltd.	Beneficial owner	H Shares	Long positions	322,920,500	1.82	5.21

Notes: (1) The interests are held by TEDA Investment Holding Co., Ltd. through its wholly-owned subsidiary Jinlian (Tianjin) Finance Lease Co., Ltd.

(2) Standard Chartered Bank (Hong Kong) Limited is wholly owned by Standard Chartered PLC, and therefore Standard Chartered PLC is deemed to be interested in all the shares held by Standard Chartered Bank (Hong Kong) Limited for the purpose of the SFO.

(3) China Shipping Investment Co., Ltd. is wholly owned by COSCO SHIPPING Development Co., Ltd., and in turn owned by China Shipping Group Company Limited as to approximately 39.28%. China Shipping Group Company Limited is wholly owned by China COSCO Shipping Corporation Limited. As such, each of China COSCO Shipping Corporation Limited, China Shipping Group Company Limited and COSCO SHIPPING Development Co., Ltd. is deemed to be interested in all the shares held by China Shipping Investment Co., Ltd. for the purpose of the SFO.

(4) Oceanwide Industry Co., Ltd. is owned by China Oceanwide Holdings Group Co., Ltd. and Oceanwide Group Co., Ltd. as to 60% and 40%, respectively. China Oceanwide Holdings Group Co., Ltd. is owned by Oceanwide Group Co., Ltd. and Tohigh Holdings Co., Ltd. as to 98% and 2%, respectively. Oceanwide Group Co., Ltd. is wholly owned by Tohigh Holdings Co., Ltd. Tohigh Holdings Co., Ltd. is owned by Mr. LU Zhiqiang as to 77.14%. As such, each of Mr. LU Zhiqiang, Ms. HUANG Qiongzi (spouse of Mr. LU Zhiqiang), Tohigh Holdings Co., Ltd., Oceanwide Group Co., Ltd. and China Oceanwide Holdings Group Co., Ltd. is deemed to be interested in all the shares held by Oceanwide Industry Co., Ltd. for the purpose of the SFO.

Save as disclosed above, the Bank is not aware of any other person (other than Directors, Supervisors and chief executives of the Bank) who has any interest or short position in its Shares at the end of the Reporting Period which will be required to be recorded in the register kept under section 336 of the SFO.

VI. ISSUANCE AND LISTING OF EQUITY SECURITIES

During the Reporting Period, the Bank had not issued any new shares.

VII. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE BANK

During the Reporting Period, the Bank and its subsidiary had no purchase, sale or redemption of any listed securities of the Bank.

Directors, Supervisors, Members of Senior Management, Employees and Branches

I. DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

(I) Basic Information and Remuneration of Directors, Supervisors and Members of Senior Management

Name	Position	Gender	Date of birth	Time of joining the Bank	Tenure	Total pre-tax remuneration from the Bank during the Reporting Period (RMB ten thousand) ⁽⁵⁾	Remunerated by the Bank's Shareholders or their related parties
WANG Jinhong	Chairman	Male	December 1971	December 2006 ⁽⁸⁾	October 2023 – the date of re-election	14.78	No
AU Siu Luen	Vice chairman	Male	May 1961	September 2023	September 2023 – the date of re-election	–	Yes
YUAN Wei	Non-executive director	Female	February 1974	March 2019	December 2019 – the date of re-election	–	Yes
DUAN Wenwu	Non-executive director	Male	June 1969	November 2023	November 2023 – the date of re-election	–	Yes
HU Aimin	Non-executive director	Male	December 1973	February 2018	September 2018 – the date of re-election	–	Yes
ZHANG Yunji	Non-executive director	Male	August 1954	February 2009	February 2009 – the date of re-election	–	Yes
QU Hongzhi	Executive director	Male	August 1969	December 2019	January 2020 – the date of re-election	268.96	No
DU Gang	President Executive director	Male	November 1970	March 2019	January 2020 – May 2024 January 2020 – the date of re-election	209.07	No
	Vice president Secretary to the Board of Directors				April 2019 – May 2024 October 2020 – the date of re-election		
ZHAO Zhihong	Executive director	Male	January 1966	September 2015	July 2022 – the date of re-election	184.92	No
	Vice president Chief risk officer				November 2020 – May 2024 February 2020 – the date of re-election		
MAO Zhenhua	Independent non-executive director	Male	January 1964	April 2016	June 2016 – the date of re-election	35.00	No
CHI Guotai	Independent non-executive director	Male	July 1955	April 2016	June 2016 – the date of re-election	35.00	No
MU Binrui	Independent non-executive director	Male	September 1956	May 2018	September 2018 – the date of re-election	35.00	No
TSE Yat Hong	Independent non-executive director	Male	October 1969	December 2019	June 2020 – the date of re-election	35.00	No
ZHU Ning	Independent non-executive director	Male	September 1973	December 2019	June 2020 – the date of re-election	35.00	No
SHUM Siu Hung Patrick	Independent non-executive director	Male	February 1961	October 2022	October 2022 – the date of re-election	23.33	No
WANG Chunfeng	Chairman of the Board of Supervisors Employees' representative supervisor	Male	February 1966	July 2019	November 2019 – the date of re-election July 2019 – the date of re-election	90.05	No

Name	Position	Gender	Date of birth	Time of joining the Bank	Tenure	Total pre-tax remuneration from the Bank during the Reporting Period (RMB ten thousand) ⁽⁵⁾	Remunerated by the Bank's Shareholders or their related parties
QI Ershi	External supervisor	Male	February 1953	April 2016	April 2016 – the date of re-election	17.50	No
DIAO Qinyi	External supervisor	Male	March 1955	April 2016	April 2016 – the date of re-election	17.50	No
HUI Yung Chris	External supervisor	Male	November 1968	December 2019	December 2019 – the date of re-election	17.50	No
MA Shuming	Employees' representative supervisor	Male	October 1966	February 2017	August 2021 – the date of re-election	242.87	No
XIE Kai	Vice president	Male	September 1972	June 2021	July 2021 – May 2024	181.20	No
JIN Chao	Vice president	Male	March 1979	June 2021	July 2021 – May 2024	181.50	No
LI Fuan	Chairman	Male	December 1962	June 2015	June 2015 – July 2023	97.16	No
FUNG Joi Lun Alan	Vice chairman	Male	April 1948	May 2010	August 2010 – September 2023	-	Yes
YE Baishou	Non-executive director	Male	June 1962	April 2014	June 2014 – November 2023	-	No

- Notes: (1) The terms of the fifth session of the Board of Directors and the Board of Supervisors of the Bank expired on December 15, 2022. As the re-election of the Board of Directors and the Board of Supervisors is still in preparation, in order to maintain the continuity of the relevant work of the Bank, the terms of the fifth session of the Board of Directors and the Board of Supervisors of the Bank will be extended to the date when the new sessions of the Board of Directors and the Board of Supervisors are approved at the general meeting of the Bank. For details, please refer to relevant announcements of the Bank published on the websites of the HKEX and the Bank.
- (2) For the changes in the Directors, Supervisors and members of the senior management of the Bank as of the date of this annual report, please refer to "(V) Changes in Directors, Supervisors and Members of Senior Management" in this section.
- (3) Among the current Directors, Mr. WANG Jinhong was nominated by Shareholder TEDA Investment Holding Co., Ltd.; Mr. AU Siu Luen was nominated by Shareholder Standard Chartered Bank (Hong Kong) Limited; Ms. YUAN Wei was nominated by Shareholder China Shipping Investment Co., Ltd.; Mr. DUAN Wenwu was nominated by Shareholder State Development & Investment Corp., Ltd.; Mr. HU Aimin was nominated by Shareholder China Baowu Steel Group Corporation Limited, and Mr. ZHANG Yunji was nominated by Shareholder Tianjin Shanghui Investment Holding Company Limited.
- (4) During the Reporting Period, the Directors, Supervisors, and members of the senior management of the Bank did not hold shares or stock options of the Bank.
- (5) The amounts disclosed above exclude the remuneration received from the former employer.
- (6) The deferred payment of performance remuneration policy applies to executive Directors (including the chairman), vice presidents and employees' representative Supervisors (including the chairman of the Board of Supervisors) of the Bank in accordance with the related national requirements. The deferred payment period is generally not less than three years. The above amount includes the portion of the performance remuneration for previous years paid during the year.
- (7) During the Reporting Period, the Bank paid a director allowance to independent non-executive Directors for the period from July 1, 2022 to June 30, 2023, and paid a supervisor allowance to external Supervisors for the period from July 1, 2022 to December 31, 2022. During the Reporting Period, employees' representative Supervisors of the Bank did not receive a supervisory allowance for their duties as employees' representative Supervisors.
- (8) Mr. WANG Jinhong worked for the Bank during the period from December 2006 to December 2019 and has worked for the Bank since April 2023. For details, please refer to the biographical information of Mr. WANG Jinhong disclosed in this section.
- (9) Mr. QU Defu, Mr. ZHUANG Qifei and Mr. LUAN Xianzhou were elected as non-executive Directors of the Bank at the 2021 annual general meeting of the Bank. Mr. ZHU Yingyu was appointed as the professional manager to serve as the vice president of the Bank at the 20th meeting of the fifth session of the Board of Directors of the Bank. The qualification of the persons mentioned above is subject to the approval by the regulatory authorities.

(II) Remuneration Management

1. *Remuneration management system*

The compensation and remuneration of our Directors, Shareholders' representative Supervisors and external Supervisors are determined by our Shareholders' general meeting and the compensation and remuneration of members of the senior management are determined by the Board of Directors. Our remuneration policies are formulated by the Nomination and Remuneration Committee of the Board and submitted to the Board of Directors for review. The Nomination and Remuneration Committee is a specialized agency under the Board of Directors of the Bank, which shall be responsible to the Board of Directors and consist of at least five Directors. The remuneration package for the chairman of the Board of Directors, the chairman of the Board of Supervisors and members of our senior management comprises annual basic salary, annual performance-based salary and incentive payments during the tenure. Our independent non-executive Directors and external Supervisors receive allowances from us. When reviewing and determining the Bank's remuneration packages, our Shareholders' general meeting and the Board of Directors take into consideration factors such as relevant work experience, level of education, competency and salaries paid by other comparable companies. The remuneration package for other employees of the Group comprises basic salary, performance salary and welfare income. The Bank also participates in various defined contribution plans organized by relevant government authorities and welfare schemes for our employees, including basic pension insurance, medical insurance, unemployment insurance, work-related accident insurance, maternity insurance and housing provident and enterprise annuity plan. For the defined contribution plans, the Bank will not use the forfeited contributions of the employees who leave the plan prior to vesting fully in such contributions.

During the Reporting Period, the aggregate amounts of remuneration paid by the Group was RMB5,959.86 million.

2. *Remuneration and performance measurement, risk adjustment standards*

The basic salary is the basic security of the employee's life and is paid monthly. Performance-based remuneration is linked to performance appraisal results. During the Reporting Period, the Bank's group assessment indicators included return on net assets, return on total assets, cost-to-income ratio, economic value added, operating income, pre-tax profit, net profit, non-performing loan ratio, capital adequacy ratio, core tier 1 capital adequacy ratio, allowance coverage ratio, leverage ratio, allowance to gross loan ratio and case risk loss ratio, and the Bank conducted performance assessment of branches from aspects including operating income, deposit, customers, risks etc., according to the annual operation and management objectives. The Bank also evaluated legal compliance and operational risk, audit findings or business risk omissions as the risk cost control targets, to increase the risk deduction factors for performance appraisal, at the same time by deferred payment mechanism the Bank made the remuneration and performance better match, to prevent the occurrence of imprudent behavior of employees resulting from improper or excessive incentive motivation and insufficient risk linkages.

3. Formulation of performance appraisal methods and the completion of performance indicators

During the Reporting Period, the Bank formulated the Classification and Assessment Management Measures for Tier-One Branches of China Bohai Bank (2023 Revision), the Measures for Comprehensive Performance Assessment of Branches of China Bohai Bank in 2023, the Management Measures for Departmental Performance Assessment of Head Office of China Bohai Bank (2023 Revision), the Management Measures for Annual Comprehensive Performance Assessment and Evaluation of Middle Managers of China Bohai Bank (2023 Revision), the Management Measures for Comprehensive Performance Assessment and Evaluation of Employees of China Bohai Bank (2023 Revision), and other systems.

The Bank continued to follow the general principle of pursuing progress while ensuring stability, and maintained development within an appropriate range; the Bank's capital adequacy ratio, core tier 1 capital adequacy ratio, allowance coverage ratio, non-performing loan ratio, leverage ratio, allowance to gross loan ratio and other indicators complied with the regulatory and assessment requirements; legal compliance, regulatory evaluation and ethical standards, corporate social responsibility, customer satisfaction and other social responsibility indicators complied with the assessment requirements.

4. Salaries of employees who have a significant impact on risks

There are 405 people in the Group, including the middle managers of the head office, senior management personnel of the subsidiary and the person in charge of the risk management department of branches, who have a significant impact on risks. Their total remuneration in 2023 amounted to RMB526.91 million, among which no less than 40% of the performance-based remuneration will be deferred for three years, which meets regulatory requirements.

5. Deferred payment of remuneration and non-cash remuneration

The Bank implemented the deferred payment and reclaiming of performance-based remuneration in accordance with the relevant remuneration management measures. The reclaiming of performance-based remuneration includes reclaiming paid performance-based remuneration and terminating payment of unpaid performance remuneration. For relevant responsible persons who have violated regulations and disciplines and whose cases have not yet been concluded, or caused significant exposure to risks within the scope of their responsibilities due to obvious negligence or failure to exercise prudent management, the Bank shall reclaim and withhold their performance-based remuneration of the corresponding periods. In 2023, the Bank reclaimed and withheld performance-based remuneration of 499 employees in an amount of RMB23.44 million.

During the Reporting Period, the Bank did not implement any equity incentive scheme.

6. Exceptions to the original remuneration package

During the Reporting Period, there were no exceptions beyond the original remuneration package.

(III) The Positions of Directors, Supervisors and Members of Senior Management at Shareholders

Name	Employer	Position	Term of Service
AU Siu Luen	Standard Chartered Bank (Hong Kong) Limited	Managing director of CEO office in Asia	May 2023 to present
YUAN Wei	China Shipping Investment Co., Ltd.	Director	August 2021 to present
ZHANG Yunji	Tianjin Shanghui Investment Holding Company Limited	Chairman of the board of directors	September 2009 to present

(IV) Major Work Experience, Positions and Part-time Jobs of Directors, Supervisors and Senior Management Members

Directors

Mr. WANG Jinhong

Mr. WANG is an economist and a doctorate candidate in finance. He was a vice president of Tianjin Branch of Shenzhen Development Bank, the party secretary and president of Tianjin Branch of the Bank, the party secretary and president of Binhai New District Branch of the Bank, the president of Tianjin Pilot Free Trade Zone Branch of the Bank, an assistant to president, a member of the party committee, a vice president and an executive Director of the Bank. He was chairman of Tianjin Haihe River Industry Fund Management Co., Ltd. (天津市海河產業基金管理有限公司). He is currently the party secretary and chairman of the Bank.

Mr. AU Siu Luen

Mr. AU has a bachelor's degree. He served as the chief executive officer and chairman of Citibank (China) Co., Limited and Asia co-head of client coverage of Standard Chartered Bank. He currently serves as vice chairman of the Bank and the managing director of CEO office of Standard Chartered Bank (Hong Kong) Limited in Asia.

Ms. YUAN Wei

Ms. YUAN is a senior economist with a doctoral degree, she previously served as deputy general manager of financial business department of China Shipping Container Lines Co., Ltd. (中海集裝箱運輸股份有限公司), deputy general manager of financial business department of COSCO SHIPPING Development Co., Ltd. (中遠海運發展股份有限公司), and investment director of COSCO Shipping Captive Insurance Co., Ltd. (中遠海運財產保險自保有限公司). She currently serves as a non-executive Director of the Bank, chief investment officer and general manager of strategic investment department of COSCO SHIPPING Development Co., Ltd., and a director of China Shipping Investment Co., Ltd.

Mr. DUAN Wenwu

Mr. DUAN is a professorate senior accountant and has a bachelor's degree. He served as deputy manager and manager of the finance department, deputy chief accountant, chief accountant and deputy general manager of Yunnan Dachaoshan Hydropower Co., Ltd. (雲南大朝山水電有限公司), assistant to the director of the finance and accounting department of State Development and Investment Corp (國家開發投資公司), deputy general manager of SDIC Finance Co., Ltd. (國投財務有限公司), deputy director of the finance and accounting department of State Development and Investment Corp (國家開發投資公司), deputy general manager of China National Complete Plant Import and Export Group Corporation (中國成套設備進出口(集團)總公司), director of the finance and accounting department of State Development and Investment Corp (國家開發投資公司), general manager of SDIC Essence (Holdings) Co., Ltd (國投安信股份有限公司), general manager of SDIC Capital Co., Ltd. (國投資本股份有限公司), chairman and secretary of the party branch of SDIC Finance Co., Ltd. (國投財務有限公司), and general manager, deputy secretary of the party committee, chairman and secretary of the party committee of China National Investment and Guaranty Corporation (中國投融資擔保股份有限公司). He is currently a non-executive Director of the Bank, chairman and secretary of the party committee of SDIC Capital Co., Ltd. (國投資本股份有限公司) and a non-executive director of China International Capital Corporation Limited.

Mr. HU Aimin

Mr. HU has a university education background. He previously served as a deputy general manager and the general manager of the capital operation department and the general manager of the investment management department, the general manager of industry and finance integrated development center and the secretary of the party working committee of industry and finance of China Baowu Steel Group Corporation Limited, the secretary of the party committee, a director and senior vice president of Shanghai Baosteel Packaging Co., Ltd., and the general manager of Hwabao Investment Co., Ltd. He currently serves as a non-executive Director of the Bank, the secretary of the party committee and chairman of the board of directors of Hwabao Investment Co., Ltd., the chairman of the board of directors of Sinosteel Futures Co., Ltd., a director of Hwa Bao Securities Co., Ltd., a director of Zhongjin Ruide (Shanghai) Shareholding Investment Management Co., Ltd., a director of New China Life Insurance Company Ltd., and a supervisor of Xinjiang Tianshan Steel United Co., Ltd.

Mr. ZHANG Yunji

Mr. ZHANG has a master's degree. He once worked in Tianjin Branch of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司天津市分行) for a long time, where he served as an assistant to the president and a vice president. In addition, he used to serve as the chairman of the board of directors and the general manager of Tianjin Rongsheng Xinye Investment and Development Co., Ltd. He currently serves as a non-executive Director of the Bank and the chairman of the board of directors of Tianjin Shanghai Investment Holding Company Limited and Rongxinhui (Tianjin) Finance Lease Co., Ltd.

Mr. QU Hongzhi

Mr. QU is a senior economist with a master's degree in finance and a doctor's degree in management. He once worked in China Construction Bank Corporation, where he served as the general manager of asset security department and general manager of legal affairs department of Tianjin branch, the president of Nankai sub-branch, the president of Heping sub-branch, an assistant to the president, a vice president and a member of the party committee of Tianjin branch, and the deputy secretary of the party committee and a vice president of Jiangsu branch. He currently serves as the deputy secretary of the party committee, an executive Director and the president of the Bank.

Mr. DU Gang

Mr. DU has a master's degree and used to be engaged in supervision at the PBoC and the CBRC for a long time. He was once the deputy inspector of the national joint stock commercial bank supervision department of China Banking and Insurance Regulatory Commission. He currently serves as a member of the party committee, an executive Director, a vice president and the secretary to the Board of Directors of the Bank.

Mr. ZHAO Zhihong

Mr. ZHAO is a senior economist with a doctor's degree. He once worked in China Construction Bank Corporation, where he served as a deputy division director of the general business division of the credit management department, a deputy division director of sub-branches supervision division III, the division director of the risk study division, and a manager of the general division at the credit risk management department, a manager and senior manager of authorization management division and a senior risk manager at the risk management department, a senior risk manager and deputy general manager of the quality and efficiency control department, a deputy general manager of the product and quality management department, and a deputy general manager of the product innovation and management department. He once served as the director of the strategic development and investment management office, strategic development president, an assistant to the president and the secretary to the Board of Directors of the Bank. He is currently an executive Director, a vice president and the chief risk officer of the Bank.

Mr. MAO Zhenhua

Mr. MAO is a senior economist with a doctor's degree and has been working in China Chengxin Credit Management Co., Ltd. (formerly known as China Chengxin Securities Rating Co., Ltd.) for a long time. He once served as the chairman of the board of directors of Zhong Chengxin Securities Rating Co., Ltd. and a director of China Chengxin International Credit Rating Co., Ltd. He is currently an independent non-executive Director of the Bank, the chairman of the board of directors of China Chengxin Credit Management Co., Ltd. and China Chengxin Investment Group Co., Ltd., a director of Zhong Chengxin Securities Rating Co., Ltd., China Chengxin Credit Technology Co., Ltd., Shengang Securities Co., Ltd. and Airstar Bank Limited, a non-executive director of Meilleure Health International Industry Group Limited, an independent non-executive director of China Infrastructure & Logistics Group Ltd. and China SCE Group Holdings Limited, the chief economist of China Chengxin International Credit Rating Co., Ltd., the joint head of Economic Research Institute of Renmin University of China, the dean of Dong Fureng Economic and Social Development Research Institute of Wuhan University (Beijing), and the professor of HKU Business School.

Mr. CHI Guotai

Mr. CHI is a professor with a doctor's degree. He once served as a lecturer and an associate professor in the banking management department of Heilongjiang College of Financial Staff and an associate professor, a professor and a doctoral supervisor in the School of Economics and Management of Dalian University of Technology, the director of the Research Center for Financial Risk and Systematic Evaluation Management (金融風險與系統評價管理研究中心) of Dalian University of Technology, and an expert in the Discipline Planning and Review Team (學科規劃評審組) of the National Social Science Fund of China. He is currently an independent non-executive Director of the Bank.

Mr. MU Binrui

Mr. MU is a senior economist with a bachelor's degree and is granted the special government allowance by the State Council. He once served as a deputy general manager of foreign business department, a deputy general manager of marketing department, a deputy general manager and the general manager of credit management department, a deputy chief credit executive officer and the general manager of credit management department of Bank of Communications Co., Ltd. He is currently an independent non-executive Director of the Bank, an independent non-executive director of China Yongda Automobiles Services Holdings Limited, and an independent director of Shanghai Shengtong Information Technology Co., Ltd. (上海聲通信息科技股份有限公司).

Mr. TSE Yat Hong

Mr. TSE is a Fellow of the Hong Kong Institute of Certified Public Accountants, and a Fellow of Certified Public Accountants (FCPA) of CPA Australia with a bachelor's degree. He once served as the chief financial officer and company secretary of Shenzhen International Holdings Limited, a joint company secretary and non-executive director of Shenzhen Expressway Company Limited, and an independent on-executive director of Sky Light Holdings Limited. He is currently an independent non-executive Director of the Bank and an independent non-executive director of China Huirong Financial Holdings Limited, Radiance Holdings (Group) Company Limited and E-Star Commercial Management Company Limited.

Mr. ZHU Ning

Mr. ZHU is a professor and doctoral supervisor with a doctor's degree. He once taught at the University of California, Davis. He once served as an independent director of UTour Group Co., Ltd. and Molecular Data Inc. He is currently an independent non-executive Director of the Bank, a vice dean and professor of Shanghai Advanced Institute of Finance, Shanghai Jiao Tong University, an independent non-executive director of China Huarong Asset Management Co., Ltd.

Mr. SHUM Siu Hung Patrick

Mr. SHUM has a bachelor's degree. He served as the China chief risk officer and vice president of ABN AMRO, the senior credit approval officer and senior vice president, the professional credit approval officer of China real estate of DBS Bank (China) Limited, the director and the credit approval officer of commercial real estate (Asia, excluding Japan) of Deutsche Bank, the vice president and director of credit risk department of OCBC Wing Hang Bank (China) Limited, the director of the risk department in China and the head of credit risk in the Great China Region of Maybank. He is currently an independent non-executive Director of the Bank.

Supervisors

Mr. WANG Chunfeng

Mr. WANG is a professor and a doctoral supervisor with a doctorate's degree. He served as the director at the Institute of Systems Engineering, School of Management, the director of the Financial Engineering Research Center in Tianjin University. He also served as the secretary general of Tianjin University Beiyang Education Foundation, a vice president (temporary assignment) at Bohai Securities Co., Ltd., a deputy director at Tianjin Municipal Development Planning Commission, a deputy secretary of the party committee, the president, a secretary of the party committee, the chairman of the board of directors at Bohai Securities Co., Ltd. He now serves as a deputy secretary of the party committee, the chairman of the Board of Supervisors, the union president at our Bank, the chairman of the board of supervisors of the Northern Finance Institute.

Mr. QI Ershi

Mr. QI is a professor and a doctoral supervisor with a master's degree. He served as the head at the College of Management in Tianjin University, an expert of the National High-Tech Research and Development Program ("863 Program"), the director of the Management Science and Engineering Specialty Teaching Guidance Committee of Higher Schools of the Ministry of Education, a general expert of Informatization of the Ministry of Science and Technology. He now serves as an external Supervisor of our Bank, a professor at the College of Management and Economics in Tianjin University, an expert in management innovation methods of the Ministry of Science and Technology, an expert in the Academic Degrees Committee of the State Council.

Mr. DIAO Qinyi

Mr. DIAO is a senior economist with a bachelor's degree. He worked at Agricultural Bank of China, and served as a member of the party committee and a vice president at Shandong branch of Agricultural Bank of China, a secretary of the party committee and the president at Shandong branch, the general manager of the credit management department and the credit review and approval center (tier-two department) (director level), the chief operating officer, the chief investment officer, and the chief compliance officer at the head office, an external director at Angang Group Company Limited, and a director at CITIC-Prudential Life Insurance Company Ltd. He now serves as an external Supervisor of our Bank and an independent director of Bank of Hebei Co., Ltd.

Mr. HUI Yung Chris

Mr. HUI has a bachelor's degree. He served as a manager of the financial engineering department at the Hong Kong branch of Citibank N.A., a vice president of the debt transaction group at Merrill Lynch (Asia Pacific) Limited, a director in the global markets, debt capital markets South Asia department at the Hong Kong branch of Deutsche Bank AG, a managing director at Barclays Capital Asia Limited (during which period he had also been the head of the investment banking department in China and Hong Kong, a director at New China Trust Co., Ltd., a founding partner at J&Partners GP Limited, the secretary of the board of directors at Wanda Commercial Properties Company Limited, a non-executive director at Wanda Hotel Development Company Limited, a director and an executive director of Hong Kong Taigu (China) Group Co., Ltd and director of its subsidiary, New Weigu (Fujian) Biological Engineering Co., Ltd. (Previous company name: Weigu (Guangdong) Biological Engineering Technology Co., Ltd., and an independent non-executive director of Clarity Medical Group Holding Limited. He now serves as an external Supervisor of our Bank, and the chief executive officer and an executive director of Clarity Medical Group Holding Limited.

Mr. MA Shuming

Mr. MA is an economist with a bachelor's degree. He served as a league secretary and the director of the union office of the Jilin Central sub-branch of the People's Bank of China; the acting head of the personnel division, director of the office (director of the party committee office), deputy researcher, secretary to the discipline inspection commission and committee member of the party committee of the CBRC Jilin sub-office; the deputy director and director of the back office services center of the CBRC Jilin office; the secretary to the party committee and director of the CBRC Siping office; a member of the preparation team, member of the party committee and vice president of the Bank's Changchun branch, the secretary to the party committee, president of the Tianjin Binhai New District branch of the Bank and the director of the office of the Board of Supervisors of the Bank, director of the Inspection Office under the Party Committee of CHINA BOHAI BANK CO., LTD., director (concurrent position) of the Discipline Inspection Liaison Office under the Party Committee of CHINA BOHAI BANK CO., LTD., and a member and secretary (concurrent position) of the Party Committee for Discipline Inspection of CHINA BOHAI BANK CO., LTD. He now serves as an employees' representative Supervisor, a member of the Party Committee of the Beijing Branch of CHINA BOHAI BANK CO., LTD. (中共渤海銀行股份有限公司北京分行委員會), and a member and secretary of the Party Committee for Discipline Inspection of the Beijing Branch of CHINA BOHAI BANK CO., LTD. (中共渤海銀行股份有限公司北京分行紀律檢查委員會).

Senior Management

The detailed biographies of Mr. QU Hongzhi, Mr. DU Gang and Mr. ZHAO Zhihong are set out in the section headed "Directors".

Mr. XIE Kai

Mr. XIE is a senior engineer with a doctor's degree in finance. He once served as a secretary at deputy-director level of the secretariat of the office, the deputy director and director of e-commerce department of electronic banking department, the director of innovation business department of electronic banking department, a member of the party committee and a vice president of Jiangsu Nantong branch, the director of mobile finance department of electronic banking department, the director of mobile finance department of internet finance department, the director of business cooperation department of e-financing department, the deputy general manager of technology and product management bureau, the deputy general manager of internet banking department, and the deputy general manager of the county area banking & inclusive finance internet finance management centre of Agricultural Bank of China. He is currently a vice president of the Bank.

Mr. JIN Chao

Mr. JIN is a senior economist with a doctor's degree. He once served as the assistant to the president, a member of the party committee and the vice president of the Beijing Wangfujing sub-branch, the deputy general manager of international business department and the deputy general manager of investment banking department of Beijing branch of the Industrial and Commercial Bank of China; a member of the party committee, the vice president and the chief risk officer, the secretary of the party committee and the president of the Shanghai Free Trade Zone branch of Ping An Bank, the secretary of the party committee and the president of Fuzhou branch of Ping An Bank. He is currently a vice president of the Bank.

(V) Changes in Directors, Supervisors and Members of Senior Management

On April 26, 2023, Mr. AU Siu Luen was elected as vice chairman of the Bank at the 45th meeting of the fifth session of the Board of Directors of the Bank, with effect from the date of his election as a non-executive Director of the Bank at the Shareholders' general meeting and the date of the approval of his appointment qualification by the regulatory authority until the expiry of the term of the fifth session of the Board of Directors of the Bank. On May 18, 2023, Mr. AU Siu Luen was elected as a non-executive Director of the Bank at the 2022 annual general meeting of the Bank. On September 26, 2023, the qualification of Mr. AU Siu Luen as a director and vice chairman was approved by the National Financial Regulatory Administration. Mr. AU Siu Luen has been a non-executive Director and the vice chairman of the fifth session of the Board of Directors of the Bank, a member of the Development Strategy and Inclusive Finance Committee under the Board of Directors, the Risk Management and Green Finance Committee under the Board of Directors, the Related Party Transactions Control Committee under the Board of Directors, and the Audit and Consumer Rights Protection Committee under the Board of Directors since September 26, 2023.

Mr. LI Fuan resigned as the chairman, an executive Director of the Bank and the chairman of the Development Strategy and Inclusive Finance Committee under the Board of Directors, a member of the Nomination and Remuneration Committee under the Board of Directors due to his retirement with effect from July 18, 2023. To ensure the normal operation of the Bank, in accordance with relevant laws and regulations and the relevant provisions of the Articles of Association of the Bank, it was agreed that Mr. QU Hongzhi, an executive Director and the president of the Bank, should act as the acting chairman of the Board of Directors, until the date on which the qualification of the new chairman of the Board of Directors is approved by the regulatory authority at the 47th meeting of the fifth session of the Board of Directors of the Bank.

On July 18, 2023, Mr. WANG Jinhong was elected as the chairman of the Board of Directors of the Bank at the 47th meeting of the fifth session of the Board of Directors of the Bank, with effect from the date of his election as an executive Director of the Bank at the Shareholders' general meeting and the date of the approval of his appointment qualification by the regulatory authority until the expiry of the term of the fifth session of the Board of Directors of the Bank. On August 7, 2023, Mr. WANG Jinhong was elected as an executive Director of the Bank at the 2023 first extraordinary general meeting of the Bank. On October 10, 2023, the qualification of Mr. WANG Jinhong as a director and the chairman of the Board of Directors was approved by the National Financial Regulatory Administration. Mr. WANG Jinhong has been an executive Director and the chairman of the fifth session of the Board of Directors of the Bank, the chairman of the Development Strategy and Inclusive Finance Committee under the Board of Directors, and a member of the Nomination and Remuneration Committee under the Board of Directors since October 10, 2023.

On August 7, 2023, Mr. DUAN Wenwu was elected as a non-executive Director of the Bank at the 2023 first extraordinary general meeting of the Bank. On November 1, 2023, the qualification of Mr. DUAN Wenwu as a director was approved by the National Financial Regulatory Administration. Mr. DUAN Wenwu has been a non-executive Director of the fifth session of the Board of Directors of the Bank, and a member of the Development Strategy and Inclusive Finance Committee under the Board of Directors since November 1, 2023.

Mr. FUNG Joi Lun Alan resigned as vice chairman and a non-executive Director of the Bank, and a member of the Development Strategy and Inclusive Finance Committee under the Board of Directors, the Risk Management and Green Finance Committee under the Board of Directors, the Related Party Transactions Control Committee under the Board of Directors, and the Audit and Consumer Rights Protection Committee under the Board of Directors due to his retirement with effect from September 26, 2023.

Mr. YE Baishou resigned as a non-executive Director of the Bank, and a member of the Development Strategy and Inclusive Finance Committee under the Board of Directors due to his retirement with effect from November 1, 2023.

During the Reporting Period, there was no change to the Supervisors and members of the senior management of the Bank.

(VI) Changes in the Information of Directors and Supervisors

Mr. HU Aimin, a non-executive Director of the Bank, became the chairman of the board of directors of Sinosteel Futures Co., Ltd.

Mr. CHI Guotai, an independent non-executive Director of the Bank, ceased to be a professor and doctoral supervisor in the School of Economics and Management, and the director of the Research Center for Financial Risk and Systematic Evaluation Management of Dalian University of Technology, and an expert in the Discipline Planning and Review Team of the National Social Science Fund of China.

Save as above information and the content disclosed in “(IV) Major Work Experience, Positions and Part-time Jobs of Directors, Supervisors and Senior Management Members” in this section, no information on Directors or Supervisors is subject to disclosure in accordance with Rule 13.51B(1) of the Listing Rules.

(VII) Directors, Supervisors and Chief Executives’ Interests in the Bank

As of the end of the Reporting Period, none of our Directors, Supervisors and chief executive had any interests or short positions in the shares, underlying shares and debentures of our Bank or any associated corporations (as defined in Part XV of the SFO) which were required to be entered in the register kept by the Bank pursuant to section 352 of the SFO, or which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code.

II. EMPLOYEES

(I) The Number and Structure of Employees

As of the end of the Reporting Period, the Group had 13,901 employees, including 6,498 male employees and 7,403 female employees. The age structure, educational background and professional post structure of the employees are as follows:

1. Age structure of employees

Age	Number of employees	Structure (%)
Aged 30 or below	3,509	25.24
Aged 31-35	3,586	25.80
Aged 36-40	3,301	23.74
Aged 41-45	1,725	12.41
Aged 46-50	942	6.78
Aged over 50	838	6.03
Total	13,901	100.00

2. Educational background of employees

Educational background/degree	Number of employees	Structure (%)
Postgraduate/Master's degree and above	4,058	29.19
Undergraduate/Bachelor's degree	9,617	69.18
College and lower	226	1.63
Total	13,901	100.00

3. Professional post structure of employees

Professional post	Number of employees	Structure (%)
Corporate banking	2,985	21.47
Retail banking	3,253	23.40
Financial markets	264	1.90
Online finance	134	0.97
Finance and assets & liabilities	306	2.20
Risk management	851	6.12
Audit, legal, internal control & compliance	406	2.92
Business operation	2,370	17.05
Information technology	1,554	11.18
Others	1,661	11.95
Subsidiary	117	0.84
Total	13,901	100.00

In addition to the employees with whom the Group has entered into labor contracts, as of the end of the Reporting Period, the Group also engaged 236 dispatched workers through third-party human resources agencies and they generally hold non-essential positions at the Group.

(II) Human Resource Management

During the Reporting Period, the Bank closely focused on the overall strategic goal in transformation and development, further promoted the “three systems” reform and promoted the “three enabling” mechanism construction. The Bank optimized and adjusted the organizational structure, reshaped the position responsibility system, and gave full play to organizational efficiency, innovated the thinking and methods in talent team construction, strengthened the selection and reserve of various talents, and broadened employees’ career development channels. The Bank continued to improve the incentive and restraint mechanism, created a scientific performance appraisal and remuneration distribution system, and stimulated the employees’ confidence and vitality in operation and business. The Bank continuously improved the scientific, rational and effective allocation of human resources to strongly support and guarantee high-quality transformation and development across the board.

(III) Staff Training

During the Reporting Period, the Bank adhered to the training direction of keeping political consciousness in mind and putting people first in finance. It continuously established and improved the training course system, the teacher system, the methodology system and assessment system around the Bank’s “Ten Special Tasks”, sorted out and improved the training mechanism to raise the quality and efficiency of training, and promoted high quality development through transformation and revitalization.

During the Reporting Period, the Bank strengthened the training service function, accurately identified the training service focus, and actively launched personalized, differentiated and customized training projects based on business demand to promote the rapid improvement in the capability and standard of serving the real economy. In highlighting the political nature and serving major national strategies, a series of business training was launched to meet the needs of the changing economic situation, implementation of macro policies, regulatory requirements, market trends, changes in regulations and systems, business development and management; in practicing the people-oriented nature and serving people’s lives, various special training sessions were launched in consumer protection, anti-fraud and anti-gambling, agency insurance, and complaint handling.

III. BRANCHES

As of the end of the Reporting Period, the Bank has established outlets in 25 provinces, municipalities and autonomous regions, 5 sub-provincial cities and the Hong Kong Special Administrative Region, covering 65 key cities nationwide, and has established 36 tier-one branches (including 3 branches in Suzhou, Qingdao and Ningbo under direct management of the head office and 1 overseas branch), 33 tier-two branches, 283 sub-branches, and 18 small and micro community sub-branches. The total number of officially opened outlets reached 370.

Institution name	Number of employees	Address	Tier-two branches and sub-branches under jurisdiction	Number of employees in the institutions under jurisdiction
Head Office	2,863	218 Haihe East Road, Hedong District, Tianjin	–	–
Capital Operation Center	79	5F, Building 1, No. 28, Jianguomennei Avenue, Dongcheng District, Beijing	–	–
Tianjin Branch	413	8-15/F, Part 1/F, Part 2/F, China Bohai Bank Tower, 218 Haihe East Road, Hedong District, Tianjin	0/38	693
Tianjin Binhai New District Branch	173	North District, Financial Street, No. 9 Shengda Street, Tianjin Economic-Technological Development Area	0/11	164
Tianjin Pilot Free Trade Zone Branch	23	No. 3 Building, Financial Center, No. 158 West 3rd Road, Tianjin Pilot Free Trade Zone (Airport Economic Area)	0/02	17

Institution name	Number of employees	Address	Tier-two branches and sub-branches under jurisdiction	Number of employees in the institutions under jurisdiction
Beijing Branch	294	1F-3F, East Tower C, Chemsunny World Trade Center, 28 Fuxingmennei Street, Xicheng District, Beijing	1/24	403
Hangzhou Branch	196	Bohai Bank Building, No. 117 Tiyuchang Road, Xiacheng District, Hangzhou City, Zhejiang Province	3/14	305
Taiyuan Branch	223	No. 308, Changzhi Road, Xiaodian District, Taiyuan City, Shanxi Province	2/11	224
Chengdu Branch	200	No. 87, Jinrongcheng South Road, High-Tech Zone, Chengdu City, Sichuan Province	1/16	241
Jinan Branch	193	Building 3, Lushang Olympic City, 9777 Jingshi East Road, Jinan City, Shandong Province	4/14	327
Shanghai Branch	176	No. 155 Yincheng Road, China (Shanghai) Pilot Free Trade Zone	0/16	189
Shanghai Pilot Free Trade Zone Branch	102	No. 1229 Century Avenue, China (Shanghai) Pilot Free Trade Zone	0/01	11
Shenzhen Branch	198	No. 4009 Shennan Avenue, Futian District, Shenzhen City, Guangdong Province	0/11	167
Shenzhen Qianhai Branch	123	Block B, CNOOC Building (Shenzhen), No. 3168 Houhaibin Road, Nanshan District, Shenzhen City, Guangdong Province	–	–
Nanjing Branch	203	No. 213 Jiangdong Middle Road, Jianye District, Nanjing City, Jiangsu Province	6/10	391
Suzhou Branch	191	Jianwu Financial Center Building, No. 710 Zhongyuan Road, Suzhou Industrial Park, Jiangsu Province	0/04	86
Dalian Branch	173	Yifang Building, No. 9 Yan'an Road, Zhongshan District, Dalian City, Liaoning Province	1/08	166
Guangzhou Branch	238	Nanya Zhonghe Plaza, 57 Linjiang Avenue, Tianhe District, Guangzhou City, Guangdong Province	4/14	356
Changsha Branch	167	Jiasheng Business Plaza, No. 289 Laodong West Road, Changsha City, Hunan Province	3/13	231
Shijiazhuang Branch	200	18 Zhonghua South Street, Shijiazhuang City, Hebei Province	3/16	327
Wuhan Branch	172	No. 29 Xinhua Road, Jiangnan District, Wuhan City, Hubei Province	2/22	265
Hohhot Branch	132	No. 85 Xinhua East Street, Xincheng District, Hohhot City, Inner Mongolia Autonomous Region	1/04	92
Fuzhou Branch	135	Huaban Building, No. 363 Jiangbin Middle Avenue, Taijiang District, Fuzhou City, Fujian Province	1/03	81

Institution name	Number of employees	Address	Tier-two branches and sub-branches under jurisdiction	Number of employees in the institutions under jurisdiction
Hefei Branch	147	No. 269 Suixi Road, North First Ring, Hefei City, Anhui Province	0/05	70
Zhengzhou Branch	159	No. 88 Jinshui East Road, Zhengdong New District, Zhengzhou City, Henan Province	0/07	104
Xi'an Branch	156	1F-6F, Building 4, No. 31, Tangyan Road, High-Tech Zone, Xi'an City, Shaanxi Province	0/06	85
Changchun Branch	111	No. 2699 Xi'an Road, Lvyuan District, Changchun City, Jilin Province	0/02	24
Chongqing Branch	108	Building 2, Lifan Center, No. 6, Juxiyanan Square, Jiangbei District, Chongqing	0/06	66
Shenyang Branch	104	No. 32 Yingbin Street, Shenhe District, Shenyang City, Liaoning Province	1/03	50
Xiamen Pilot Free Trade Zone Branch	92	Building A, Cross-strait Trade Center, No. 1-9 Yunan 4th Road, Xiamen Area of China (Fujian) Pilot Free Trade Zone (Bonded Area)	0/01	16
Haikou Branch	83	S5 Podium Building, Guorui City, No. 11 Guoxing Avenue, Meilan District, Haikou City, Hainan Province	0/01	9
Qingdao Branch	91	Office Building T8, Shangshi Center, 195 East Hong Kong Road, Laoshan District, Qingdao City, Shandong Province	0/04	57
Ningbo Branch	84	1F-3F, Emeke Building, No. 188 Dazha Road, Jiangbei District, Ningbo City, Zhejiang Province	0/02	26
Nanning Branch	86	1F-5F, Podium Building, King's International Merchant Center, 59 Jinhu Road, Qingxiu District, Nanning City, Guangxi Zhuang Autonomous Region	0/03	35
Nanchang Branch	99	Cuilin Building, 1266 Fenghe Middle Avenue, Honggutan New District, Nanchang City, Jiangxi Province	0/06	56
Guiyang Branch	84	No. 1, 1F and No. 1, half B1, Building 9, Business District, One Guiyang International Finance Center, Lincheng Road, Guanshanhu District, Guiyang City, Guizhou Province	0/01	13
Kunming Branch	82	No. 393, Rixin Middle Road, Xishan District, Kunming City, Yunnan Province	0/02	26
Hong Kong Branch	58	Suites 1201-1209 and 1215-1216, 12/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong	–	–

Note: The information in the above table does not include the subsidiary.

Corporate Governance

I. OVERVIEW OF CORPORATE GOVERNANCE

The Bank has established a corporate governance structure consisting of the Shareholders' general meeting, the Board of Directors, the Board of Supervisors and the senior management. The Shareholders' general meeting is the supreme authority of the Bank. The Board of Directors undertakes final responsibility of operation and management of the Bank, and is accountable to the Shareholders' general meeting. The Board of Supervisors is the internal supervision body of the Bank, accountable to the Shareholders' general meeting. The senior management is responsible for the operation and management of the Bank, accountable to the Board of Directors. For the corporate governance structure of the Bank, please refer to "Organizational Structure Chart" described in this annual report.

The Bank strictly complies with the laws and regulations, such as the Company Law, the Commercial Banking Law, the Listing Rules, the Articles of Association of the Bank and other corporate governance regulations, thoroughly implements the national strategic decisions and financial regulatory requirements, adheres to the leadership of Party Building, effectively integrates the Party's leadership into all aspects of corporate governance, strives to practice good corporate governance standards, and continuously improves the corporate governance mechanism, thus steadily enhancing the corporate governance capability and the quality and efficiency of operation and management. All corporate governance entities of the Bank perform their respective duties and responsibilities, coordinate operation and exercise effective checks and balances, which further improve the efficiency of discussion and level of decision-making.

II. SHAREHOLDERS' GENERAL MEETING

The Shareholders' general meeting is the supreme authority of the Bank. Its principal responsibilities include: determining the operation strategies and investment plans; approving the annual financial budget plans, final accounting plans, profit distribution plans and loss recovery plans; electing and replacing Directors, Shareholders' representative Supervisors and external Supervisors; approving the reports of the Board of Directors and Board of Supervisors and amending the Articles of Association, etc.

For detailed information on the duties of the Shareholders' general meeting of the Bank, please see the Articles of Association published on the websites of the HKEX and the Bank.

(I) Shareholders' Rights

1. *Convening an extraordinary general meeting*

An extraordinary general meeting shall be convened within two months upon the request in writing of Shareholder(s) individually or jointly holding 10% or more of the total voting shares issued by the Bank (hereinafter referred to as "proposing shareholders"). The proposing shareholders may sign one or several written requests with the same format and contents to propose to the Board to convene an extraordinary general meeting and specify the meeting topics. The Board shall, pursuant to laws, regulations and the Articles of Association of the Bank, give a written reply on whether to convene the extraordinary general meeting within 10 days after receipt of the request.

2. *Proposing a proposal to the Shareholders' general meeting*

Where the Bank convenes a Shareholders' general meeting, Shareholder(s) individually or jointly holding 3% or more of the total voting shares issued by the Bank may put forward an interim proposal and submit it to the Board in writing within 10 days before the Shareholders' general meeting is convened; the Board shall, within two days after receipt of the interim proposal, issue a supplementary notice of the Shareholders' general meeting and submit the interim proposal to the Shareholders' general meeting for consideration. The contents of the interim proposal shall be within the terms of reference of the Shareholders' general meeting and have definite topics for discussion and specific issues for resolution(s).

3. Convening an interim Board meeting

When the Shareholder(s) individually or jointly holding 10% or more of the total voting shares of the Bank propose to convene an interim Board meeting, the chairman of the Board shall convene the meeting within five working days.

4. Inquiring of the Board of Directors

Shareholders who provide the Bank with a written document certifying the class and number of shares they hold in the Bank, and upon authentication of the identity of the Shareholder by the Bank, shall have the right to obtain relevant information of the Bank in accordance with laws and regulations and the Articles of Association of the Bank, including the Articles of Association of the Bank, share register, minutes of the Shareholders' general meetings, resolutions of Board meetings and meetings of the Board of Supervisors, the latest audited financial and accounting report and the auditor's report, etc. For contact details of Shareholders' inquiries to the Bank, please see "Corporate Profile" in this annual report.

For detailed information on the Shareholders' rights of the Bank, please see the Articles of Association published on the websites of the HKEX and the Bank.

(II) Shareholders' Communication Policy

The Bank has formulated the "Shareholders' Communication Policy", which lists the purpose, general policies, communication channels, communication with the investment market and Shareholder privacy of its Shareholders' communication policy. The communication channels between the Bank and Shareholders include:

Shareholders' inquiries

- The Bank has disclosed the company's contact information on its website so that Shareholders can make inquiries about the Bank.
- Shareholders may inquire about their shareholding at the Share Registrar of the Bank.
- Shareholders may request public information of the Bank at any time.

Corporate communications

- Corporate communications (within the meaning of the Listing Rules), including but not limited to (i) directors' reports, annual accounts together with auditors' report, (ii) interim reports, (iii) notices of meetings, (iv) listing documents, (v) circulars, (vi) proxy forms, (vii) application proof, and (viii) post hearing information pack.
- Corporate communications should be made available to the Shareholders in a timely manner and should be written in plain Chinese and English.

Company website

- The “Investor Relations” column of the Bank’s website (www.cbhb.com.cn) provides Shareholders with corporate information, such as corporate communications and key financial information of the Bank.
- The Bank shall publish its results announcement on the websites of the Hong Kong Stock Exchange and the Bank after the Board of Directors approves the results.
- The information submitted by the Bank to the Hong Kong Stock Exchange for publication on the Hong Kong Stock Exchange website will also be published on the Bank’s website immediately. Such information includes but is not limited to annual reports, interim reports, announcements, circulars, notices of general meetings and information required by the Listing Rules from time to time.
- Press releases and publications issued by the Bank from time to time are also available on the Bank’s website.
- The information on the Bank’s website will be updated regularly.

Shareholders’ general meeting

- The Bank’s general meeting of Shareholders provides an opportunity for constructive communication between the Bank and the Shareholders.
- The Bank will make appropriate arrangements for Shareholders’ general meetings to encourage Shareholders’ participation.
- When the Bank convenes an annual general meeting, the Bank shall issue a written notice 20 days before the meeting. When the Bank convenes an extraordinary general meeting, the Bank shall issue a written notice 15 days before the meeting. The written notice shall include the matters to be considered at the meeting and the date and venue of the meeting to all Shareholders whose names appear on the share register. If the securities regulatory authority of the place where the Bank’s shares are listed requires a longer notice period for the shareholders’ general meeting, such provisions shall prevail.

The Bank will issue circulars and proxy forms related to general meetings according to the notice period required by the Articles of Association and the Listing Rules.

- Members of the Board of Directors, especially the chairman of each committee under the Board of Directors or their representatives, appropriate senior executives and external auditors should attend the general meeting to answer questions from Shareholders.
- The Bank will review the procedures for the general meeting from time to time to ensure compliance with the Bank’s Articles of Association, the Listing Rules and applicable laws as well as good corporate governance practices. Separate resolutions on substantially separate issues will be submitted to the general meeting for voting. Except for the presider of the meeting making a decision in good faith to allow voting on a motion purely related to procedural or administrative matters by a show of hands, any votes made by Shareholders at the general meeting shall be taken by way of registered poll. The general meeting will appoint scrutineers to count the votes. After the general meeting, the voting results will be announced on the websites of the Bank and the Hong Kong Stock Exchange.

During the Reporting Period, the Bank convened 2 general meetings in strict compliance with relevant laws and regulations, the Bank's Articles of Association and the Rules of Procedures for General Meetings of Shareholders to actively interact and communicate with Shareholders. The Bank timely disclosed results announcements, periodic reports, announcements, circulars, notices of Shareholders' meetings and other information in accordance with regulatory requirements, and continuously updated the Bank's website to protect investors' right to know. It also made full use of investor hotlines, investor mailboxes and other online channels to maintain communication with investors and respond to investor concerns in a timely manner. After review, the Bank's Shareholders' Communication Policy continued to be effective during the Reporting Period, and the Bank's communication with Shareholders and investors complied with relevant regulations.

(III) Introduction to the General Meeting

During the Reporting Period, the Bank convened 2 general meetings, at which 12 resolutions were considered and 8 reports were reviewed. The relevant information is as follows:

The Bank convened the 2022 annual general meeting in Tianjin on May 18, 2023. Shareholders or their proxies attending the general meeting represented a total of 13,221,561,501 ordinary shares with voting rights of the Bank. 12 Directors of the Bank attended the meeting, and the Supervisors and the secretary to the Board of Directors of the Bank were present at the meeting. 10 resolutions were considered and approved at the meeting and the matters considered included: the Report of the Board of Directors for 2022, the Report of the Board of Supervisors for 2022, the Report of Final Financial Accounts for 2022, the Profit Distribution Plan for 2022, the Financial Budget Report for 2023, the Investment Plan for 2023, the appointment of external auditors for 2023, the remuneration of Mr. LI Fuan for 2021, the election of Mr. AU Siu Luen as a non-executive Director, and the general mandate granted to the Board of Directors to issue Domestic Shares and/or H Shares. The meeting also reviewed 6 written reports, including the Report on Resignation of Mr. FUNG Joi Lun Alan as a non-executive Director and vice chairman, the 2021 Assessment Report on Major Shareholders and Substantial Shareholders, the 2022 Special Report on Related Party Transactions, the Board of Supervisors' 2022 Assessment Report on the Performance of Duties of the Board of Directors, Senior Management and Their Members, the 2022 Report on Self-evaluation of the Board of Supervisors and Assessment of the Performance of Duties of Supervisors, and the Report of the Board of Supervisors on Independent Opinions on Related Matters in 2022.

The Bank convened the 2023 first extraordinary general meeting in Tianjin on August 7, 2023. Shareholders or their proxies attending the general meeting represented a total of 13,238,302,797 ordinary shares with voting rights of the Bank. 11 Directors of the Bank attended the meeting, and the Supervisors and the secretary to the Board of Directors of the Bank were present at the meeting. 2 resolutions on the election of Mr. WANG Jinhong as an executive Director and the election of Mr. DUAN Wenwu as a non-executive Director were considered and approved at the meeting and two meeting resolutions were formed. The meeting also reviewed 2 written reports, including the Report on Resignation of Mr. LI Fuan as an Executive Director and Chairman and the Report on Resignation of Mr. YE Baishou as a Non-executive Director.

The PRC legal advisor of the Bank witnessed the convening of the above meetings and other related matters in accordance with the law, and believed that the meetings were in compliance with relevant laws and regulations, regulatory documents and the Articles of Association. For details of the meetings, please refer to the circular, notices and the poll results announcement of the relevant general meetings published on the websites of the HKEX and the Bank.

III. BOARD OF DIRECTORS

(I) Members of the Board of Directors

As of the end of the Reporting Period, the Board of Directors of the Bank had fifteen Directors in total, including four executive Directors: Mr. WANG Jinhong (chairman), Mr. QU Hongzhi, Mr. DU Gang and Mr. ZHAO Zhihong, five non-executive Directors: Mr. AU Siu Luen (vice chairman), Ms. YUAN Wei, Mr. DUAN Wenwu, Mr. HU Aimin and Mr. ZHANG Yunji and six independent non-executive Directors: Mr. MAO Zhenhua, Mr. CHI Guotai, Mr. MU Binrui, Mr. TSE Yat Hong, Mr. ZHU Ning and Mr. SHUM Siu Hung Patrick.

Recognizing the importance of board diversity in enhancing corporate governance and operational efficiency, the Bank has formulated the Board Diversity Policy, which sets out the objectives, vision, general policy, measurable objectives, review and monitoring of the Board Diversity Policy. It mainly includes: the Board is committed to continuously improving its operational efficiency and maintaining a high level of corporate governance, and recognizes that diversity at the Board level is essential to maintaining competitiveness and sustainable development. In designing the composition of the Board of Directors, the Bank has considered and undertakes to consider the diversity of the Board from various aspects, including but not limited to gender, age, cultural and educational background, ethnicity, industry and professional experience, technical and professional skills and/or qualifications, knowledge, length of service and time to be devoted as a Director, as well as any other factors which the Board may deem relevant and applicable from time to time. The Board seeks to ensure that it has the balance of skills, experience and diversity of perspectives that are necessary for the Board to execute its business strategy and function effectively. When selecting candidates for the Board, the Bank will take into account the Board Diversity Policy, and the selection will ultimately be based on the views and perspectives, skills and experience that the designated candidates can bring to the Board, the promotion of Board diversity, as well as any other contributions they may make to the Board. The Board of Directors is responsible for reviewing the Board Diversity Policy and monitoring its implementation. The Nomination and Remuneration Committee under the Board of Directors reviews the structure, size and composition of the Board (including in terms of skills, knowledge and experience) at least once annually, and fully considers the requirements of the Board Diversity Policy when nominating a Director candidate. The 15 Directors of the Bank include both male and female representatives and have a relatively wide range of age, ranging from 50 to 70 years old. The Directors have a balanced mix of experience in banking, corporate management, economics and finance. The relatively diverse composition of the Board of Directors ensures that the Board of Directors of the Bank can absorb various opinions, accumulate various advantages, and make scientific and efficient decisions. The Directors express their opinions and suggestions based on their respective expertise and advantages, and contribute their wisdom and strength to the effective operation of the Board of Directors and the stable development of the Bank's business. Considering the situation of the current Directors of the Bank, the Nomination and Remuneration Committee of the Board of Directors is of the view that the Board of Directors of the Bank is sufficiently diverse. For basic information and biographical details about the members of the Board of Directors, please see "Directors, Supervisors, Members of Senior Management, Employees and Branches: Directors, Supervisors and Members of Senior Management" in this annual report.

(II) The Responsibility of the Board of Directors

The Board of Directors is accountable to the Shareholders' general meeting and responsible for operation and management of the Bank. Its principal responsibilities include convening Shareholders' general meeting and executing resolutions of general meeting, formulating development strategy and medium and long term development plans and monitoring the implementation of strategies, determining operational plans and investment programs, examining and approving capital management plans, formulating annual financial budget plans, final accounting plans, risk capital allocation plans, profit distribution plans and loss recovery plans, etc.

For detailed information on the responsibility of the Board of Directors of the Bank, please see the Articles of Association published on the websites of the HKEX and the Bank.

(III) Board Meetings and the Work of the Board

During the Reporting Period, the Board of Directors of the Bank had a deep understanding of the rules of financial business, paid close attention to changes in the macro landscape, and prudently made decisions on major matters related to the transformation and development across the Bank; gave full play to the leading role of strategy, focused on the principal responsibilities and businesses, and made targeted plan for strategic development direction; aimed at the "light assets" transformation goal, and continued to strengthen capital planning and management capabilities; strengthened the efficiency of audit supervision, improved the effectiveness of comprehensive risk management and internal control, and consolidated the risk barrier; optimized the incentive and restraint mechanism, and gave full play to the guiding and motivating role of performance appraisal and remuneration resource allocation; actively fulfilled social responsibilities, further improved the work system for protecting consumer rights and interests, strengthened the efforts in equity management and investor relations management, and effectively safeguarded the legitimate rights and interests of investors and other stakeholders; focused on advancing the ability to perform duties, and promoted the standardized and efficient operation of the Board of Directors.

During the Reporting Period, the Board of Directors of the Bank convened 10 meetings, at which 72 proposals were considered, and 26 reports were listened to. The Board of Directors considered resolutions such as the annual final accounts report, annual budget report, annual profit distribution plan, annual group performance evaluation indicators, general mandate to issue Domestic Shares and/or H Shares, annual review of the corporate governance policy, disposal of assets, material related party transactions, external donations, change of Directors, change of joint company secretaries, appraisal results of Directors and mutual evaluation of independent Directors, assessment and evaluation of senior management members, deferred payment and reclaiming of performance remuneration, 2023-2027 capital management plan, annual report, interim report, social responsibility report, work report of senior management, report on comprehensive risk management, assessment report on internal capital adequacy, work report on the interim evaluation of the Fourth "Five-Year Plan", assessment report on the quality and qualification of major and substantial shareholders, report on liability quality management, and work report on green finance. It formulated the interim measures for anti-nepotism policies among employees, the ESG risk management policy, the administrative measures for the implementation of the expected credit loss method, and the interim measures for Internet loan risk management, and revised basic systems such as the equity management measures, management measures for consumer rights protection, and data management policy. The Board of Directors also debriefed reports including the special report on related party transactions, the internal control evaluation report and auditor's statement, the report on audit work of the Audit and Consumer Rights Protection Committee of the Board of Directors, the internal audit work report, the working plans of the Board of Directors and its special committees, self-assessment report on data governance, development plan for inclusive finance business, report on financial support for rural revitalization, report on the Bank's regulatory situations of the National Joint-Stock Commercial Bank Supervision Department of CBIRC, the Bank's rectification report and the report on consumer complaints.

(IV) Particulars of Directors' Attendances at Meetings

During the Reporting Period, the particulars of Directors of the Bank attending meetings of the Board of Directors and general meetings are as follows:

Name	Board of Directors ⁽¹⁾				General meetings ⁽²⁾
	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences	
WANG Jinhong	3	3	–	–	0/0
AU Siu Luen	3	3	–	–	0/0
YUAN Wei	10	10	–	–	2/2
DUAN Wenwu	1	1	–	–	0/0
HU Aimin	10	10	–	–	2/2
ZHANG Yunji	10	10	–	–	0/2
QU Hongzhi	10	10	–	–	2/2
DU Gang	10	9	1	–	2/2
ZHAO Zhihong	10	9	1	–	2/2
MAO Zhenhua	10	10	–	–	2/2
CHI Guotai	10	9	1	–	2/2
MU Binrui	10	10	–	–	2/2
TSE Yat Hong	10	10	–	–	2/2
ZHU Ning	10	10	–	–	1/2
SHUM Siu Hung Patrick	10	10	–	–	2/2
LI Fuan	5	4	1	–	0/1
FUNG Joi Lun Alan	7	7	–	–	2/2
YE Baishou	9	1	8	–	0/2

Notes: (1) During the Reporting Period, the Board of Directors of the Bank convened 10 meetings in total, including 9 on-site meetings and 1 off-site meeting.

(2) Represented as "Number of attendances at/number of the general meetings during the tenure".

(3) Please refer to "Directors, Supervisors, Members of Senior Management, Employees and Branches: Changes in Directors, Supervisors and Members of Senior Management" in this annual report for the changes in the Directors of the Bank during the Reporting Period.

(V) Independent Opinion Mechanism, Independence and Work of Independent Non-Executive Directors

According to the Articles of Association of the Bank, the Board of Directors consists of eighteen Directors, including four executive Directors and six independent non-executive Directors. The structure of the Board of Directors is scientific and balanced, and non-executive Directors (including independent non-executive Directors) account for the majority to ensure that the Board of Directors can fully obtain independent views and opinions, and independently and effectively perform decision-making functions. In order to ensure that independent non-executive Directors can effectively exercise their functions and powers, the Bank shall provide independent non-executive Directors with the following necessary working conditions: (1) The Bank shall ensure that independent non-executive Directors enjoy the same right to know as other Directors. For matters to be decided on by the Board of Directors, the Bank shall notify independent non-executive Directors in advance according to the statutory time and provide them with sufficient information. Independent non-executive Directors may request supplementary information if they consider the information insufficient. When two or more independent non-executive Directors believe that the information is insufficient or the argumentation is not clear, they may jointly propose to the Board of Directors in writing to postpone the meeting of the Board of Directors or postpone the deliberation of the matter, and the Board of Directors shall adopt such proposal; (2) The Bank shall provide the necessary working conditions for independent non-executive Directors to perform their duties. The secretary to the Board of Directors shall actively provide assistance to independent non-executive Directors in performing their duties, such as introducing the situations and providing materials. If independent opinions, proposals and written statements made by independent non-executive Directors shall be announced, the secretary to the Board of Directors shall handle the matter in relation to the announcement in a timely manner; (3) When independent non-executive Directors exercise their functions and powers, relevant personnel of the Bank shall actively cooperate and shall not refuse, hinder or hide anything or interfere in their independent exercise of functions and powers; (4) The cost of engaging an intermediary agency and other reasonable expenses required for the exercise of duties by independent non-executive Directors shall be borne by the Bank; (5) The Bank shall offer appropriate allowances to independent non-executive Directors. Standards for allowances shall be formulated by the Board of Directors and reviewed and approved by the Shareholders' general meeting. In addition to the above-mentioned allowances, independent non-executive Directors shall not obtain other additional and undisclosed benefits from the Bank, its substantial Shareholders, or interested institutions and personnel.

The Evaluation Methods on Directors' Performance of the Bank stipulates that the Bank shall annually evaluate the performance of Directors, mainly based on five dimensions including fulfilling the duty of loyalty, fulfilling the duty of diligence, professionalism in performance of duties, independence and morality in performance of duties, and compliance with regulations in performance of duties. The evaluation of the duty performance of independent non-executive Directors shall also include the following: (1) Should not be influenced by substantial Shareholders, members of the senior management, and other entities and individuals with interests in the Bank, and should pay attention to safeguarding the legitimate rights and interests of small and medium Shareholders and other stakeholders; (2) Express objective, impartial and independent opinions on matters discussed at the Shareholders' general meeting or the Board meeting; (3) Other matters stipulated by laws, regulations, regulatory requirements and the Articles of Association of the Bank.

For detailed information on the Bank's requirements for independent non-executive Directors, please refer to the Articles of Association of the Bank published on the websites of the HKEX and the Bank.

As of the end of the Reporting Period, there were a total of six independent non-executive Directors in the Board of Directors of the Bank, the number of which was not less than one third of the total members of the Board, the qualifications, number and proportion of independent non-executive Directors met the regulatory requirements. None of the independent non-executive Directors of the Bank was involved in a situation where the independence described in Rule 3.13 of the Listing Rules might be challenged. The Bank has received annual confirmations signed by each of the independent non-executive Directors in respect of their independence, confirming that each independent non-executive Director complied with the independence requirements of the Listing Rules.

During the Reporting Period, all independent non-executive Directors kept in mind their responsibilities under the laws and regulations and the Articles of Association of the Bank, fulfilled their due duty of integrity and diligence for the Bank and all its Shareholders, with an objective and prudent attitude, a clear and keen perspective and a long-term view of the overall situation, and performed their duties independently under the principle of fairness, impartiality and openness. Independent non-executive Directors actively attended the Board meetings and special committee meetings and independent non-executive Directors who serve as the chairman of the special committees under the Board of Directors presided over special committee meetings and led the special committee in conducting in-depth studies and provide professional advice on matters of concern to the Board of Directors, effectively playing the role of auxiliary decision-making and providing a strong support for the efficient operation and scientific decision-making of the Board of Directors. Independent non-executive Directors are independent, thoughtful, objective and impartial in expressing their independent opinions on the profit distribution, the material related party transactions, the nomination, appointment and removal of Directors, and the remuneration of the senior management, as well as other matters which may have a significant impact on the legitimate rights and interests of the Bank, minority Shareholders, and financial consumers.

In accordance with the Working Rules for Independent Directors on the Annual Report of the Bank, the independent non-executive Directors listened to the external auditor's report on the annual audit plan and annual financial report audit work of the Bank, carefully reviewed the annual financial statements and notes to be submitted to the Board of Directors and other meetings for deliberation, fully communicated with the external auditors, and expressed their opinions on the annual report independently and objectively at the meeting of the Board of Directors, playing the supervisory role of independent non-executive Directors in the preparation, review and disclosure of the annual report.

(VI) Appointment, Re-election and Removal of Directors

According to the Articles of Association of the Bank, Directors shall be elected or replaced by the Shareholders' general meeting. The term of office shall be three years, counting from the date when the resolution of the Shareholders' general meeting is passed. Their qualifications for holding office shall be approved by regulatory bodies, and they shall not perform their duties before obtaining the qualifications. Directors may be re-elected upon expiration of their term of office. The cumulative tenure of an independent non-executive Director in the Bank shall not exceed six years.

Subject to the provisions of the relevant laws and regulations, the Shareholders' general meeting may remove any Director whose term of office has not expired by ordinary resolution (without prejudice to any claims which may be made by such Director under any contract).

(VII) Directors' Responsibility for the Preparation of Financial Statements

The Directors of the Bank acknowledge their responsibility to prepare the financial statements of the Bank for the year ended December 31, 2023. To the knowledge of the Directors, there is no major unclear event or circumstance which would significantly affect the continuous operating ability of the Bank.

(VIII) Special Committees under the Board of Directors

The Bank's Board of Directors has set up the Risk Management and Green Finance Committee (and the Related Party Transactions Control Committee subordinated to it), the Audit and Consumer Rights Protection Committee, the Nomination and Remuneration Committee and the Development Strategy and Inclusive Finance Committee. Each special committee provides professional advices to the Board of Directors and makes decisions on special matters according to the authorization of the Board of Directors. During the Reporting Period, special committees under the Board of Directors convened 33 meetings in total, at which 71 proposals were considered and 12 reports were heard, details of which are as follows:

1. Risk Management and Green Finance Committee of the Board of Directors

(1) Personnel composition

As of the end of the Reporting Period, the Risk Management and Green Finance Committee of the Board of Directors of the Bank consisted of six members, being independent non-executive Directors Mr. MU Binrui, Mr. CHI Guotai and Mr. TSE Yat Hong; non-executive Directors Mr. AU Siu Luen and Mr. ZHANG Yunji; executive Director Mr. ZHAO Zhihong, respectively, and was chaired by Mr. MU Binrui.

(2) Main responsibilities

The main responsibilities of the Risk Management and Green Finance Committee of the Board of Directors of the Bank include: setting the basis and method for the level of risk that the Bank can undertake; reviewing risk appetite and risk management policies, systems and basic principles; reviewing the disposal of assets and provision of external guarantees that are not within the scope of business operations; supervising the senior management's control over risks, regularly debriefing the senior management's report on risks and risk management status, timely putting forward opinions on risk management and internal control, reporting to the Board of Directors when necessary, and informing the senior management and the Board of Supervisors; where necessary, debriefing the senior management's reports on compliance with relevant laws and regulations, regulatory requirements, policies of the Bank, rules and regulations, anti-money laundering arrangements and self-inspection results; researching and formulating green finance strategy; debriefing the senior management's report on implementation of the green finance strategy, supervising and evaluating the implementation of the green finance strategy; reporting to the Board of Directors on the implementation of the green finance strategy and submitting comments and recommendations; authorizing the affiliated Related Party Transactions Control Committee to exercise relevant functions and powers over related party transactions control and performing other duties as assigned by the Board of Directors.

(3) Meetings and work

During the Reporting Period, the Risk Management and Green Finance Committee of the Board of Directors of the Bank held seven meetings in total, reviewed 23 proposals and debriefed 1 report. The Risk Management and Green Finance Committee of the Board of Directors reviewed the report on comprehensive risk management of the Bank, summary of prevention and control work on non-compliance cases, risk assessment report of derivatives trading business, assessment report on internal capital adequacy, report on liability quality management, statement on risk appetite at group level, country risk rating and quota management scheme, implementation of the expected credit loss method, management policy on money laundering and terrorist financing risk, and work report on green finance, and debriefed the employee conduct assessment report. It also required the senior management to strengthen the policy guidance and goal orientation of risk management, strengthen concentration risk management and control, liquidity risk management and asset quality management, enhance the initiative of employee conduct management and case prevention and control, continue to promote the implementation of green finance strategies, and improve the quality of green finance supply.

During the Reporting Period, the attendance of the members of the Risk Management and Green Finance Committee of the Board of Directors of the Bank is as follows:

Name	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences
MU Binrui	7	7	–	–
AU Siu Luen	1	1	–	–
ZHANG Yunji	7	6	1	–
ZHAO Zhihong	7	6	1	–
CHI Guotai	7	7	–	–
TSE Yat Hong	7	7	–	–
FUNG Joi Lun Alan	6	6	–	–

- Notes: (1) During the Reporting Period, the Risk Management and Green Finance Committee of the Board of Directors of the Bank convened two off-site meetings.
- (2) Please refer to “Directors, Supervisors, Members of Senior Management, Employees and Branches: Changes in Directors, Supervisors and Members of Senior Management” in this annual report for the changes in the Directors of the Bank during the Reporting Period.

2. **Related Party Transactions Control Committee of the Board of Directors**

(1) Personnel composition

As of the end of the Reporting Period, the Related Party Transactions Control Committee of the Board of Directors of the Bank consisted of six members, being independent non-executive Directors Mr. MU Binrui, Mr. CHI Guotai and Mr. TSE Yat Hong; non-executive Directors Mr. AU Siu Luen and Mr. ZHANG Yunji; executive Director Mr. ZHAO Zhihong, respectively, and was chaired by Mr. MU Binrui.

(2) Main responsibilities

The main responsibilities of the Related Party Transactions Control Committee of the Board of Directors of the Bank include: reviewing the administrative measures on related party (connected) transactions, and preparing annual special reports on the implementation of such administrative systems and submitting them to the Board of Directors; reviewing and approving the list of related parties (connected persons), and reporting to the Board of Directors and the Board of Supervisors; examining related party (connected) transactions in accordance with laws and regulations, the provisions of the exchanges on which the Bank's securities are listed and the commercial principles of fairness and impartiality; reviewing the information disclosure matters of related party (connected) transactions and supervising the authenticity, accuracy and integrity of such disclosure; and performing other duties as assigned by the Board of Directors or the Risk Management and Green Finance Committee of the Board of Directors.

(3) Meetings and work

During the Reporting Period, the Related Party Transactions Control Committee of the Board of Directors of the Bank held six meetings and reviewed 11 proposals. The Related Party Transactions Control Committee of the Board of Directors attached great importance to the management of related party (connected) transactions, strictly examined matters in relation to material related party transactions, and required the Bank to continue to pay attention to the reduction of concentration risks and optimize the overall credit structure. It also reviewed the special report on related party transactions, annual report and interim report, and expressed opinions on the authenticity, accuracy and integrity of information disclosure of related party (connected) transactions.

During the Reporting Period, the attendance of the members of the Related Party Transactions Control Committee of the Board of Directors of the Bank is as follows:

Name	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences
MU Binrui	6	6	–	–
AU Siu Luen	2	2	–	–
ZHANG Yunji	6	6	–	–
ZHAO Zhihong	6	6	–	–
CHI Guotai	6	6	–	–
TSE Yat Hong	6	6	–	–
FUNG Joi Lun Alan	4	4	–	–

- Notes: (1) During the Reporting Period, the Related Party Transactions Control Committee of the Board of Directors of the Bank convened four off-site meetings.
- (2) Please refer to "Directors, Supervisors, Members of Senior Management, Employees and Branches: Changes in Directors, Supervisors and Members of Senior Management" in this annual report for the changes in the Directors of the Bank during the Reporting Period.

3. *Audit and Consumer Rights Protection Committee of the Board of Directors*

(1) Personnel composition

As of the end of the Reporting Period, the Audit and Consumer Rights Protection Committee of the Board of Directors of the Bank consisted of six members, being independent non-executive Directors Mr. TSE Yat Hong, Mr. MU Binrui, Mr. ZHU Ning and Mr. SHUM Siu Hung Patrick; non-executive Directors Mr. AU Siu Luen and Ms. YUAN Wei, respectively, and was chaired by Mr. TSE Yat Hong. All members of the Audit and Consumer Rights Protection Committee of the Board of Directors are non-executive Directors, and the majority is the independent non-executive Directors, which complies with the Listing Rules and the Articles of Association of the Bank.

(2) Main responsibilities

The main responsibilities of the Audit and Consumer Rights Protection Committee of the Board of Directors of the Bank include: reviewing internal audit charter and medium- and long-term audit plans, organizing and leading the internal audit work as authorized by the Board of Directors; enabling communication between internal audit and external audit; reviewing and approving the appointment and removal of the head of audit department, and evaluating and supervising the performance of the head of audit department and the audit department; hearing audit department's reports on major audit findings from internal audit, external audit and regulatory audit, and urging the senior management to make corrective actions accordingly; examining the financial position, accounting policies and procedures, and financial reporting procedures of the Bank, designating working bodies to conduct independent supervision and inspection on the implementation, and submitting review opinions to the Board of Directors when necessary, and notifying the senior management and the Board of Supervisors at the same time; organizing the annual audit work, designating working bodies to conduct independent review on the financial reports and making judgmental reports on the authenticity, integrity and accuracy of the information set out in the audited financial reports; designating working bodies to conduct independent assessment on the internal control and risk management system, and supervising the implementation and effectiveness of the system; organizing discussions on the internal control system and reporting to the Board of Directors on relevant issues; and making recommendations to the Board of Directors on matters relating to the recruitment, renewal or dismissal of external auditors; formulating strategies, policies and objectives for the protection of consumers' rights and interests, and urging the senior management to effectively carry out relevant work; regularly debriefing special reports on the protection of consumers' rights and interests, supervising and evaluating the comprehensiveness, timeliness and effectiveness of the protection of consumer rights and interests, as well as the performance of the senior management; reviewing and making recommendations to the Board on proposals for protection of consumers' rights and interests to be submitted to the Board of Directors for deliberation; and performing other duties as assigned by the Board of Directors and required by laws and regulations.

(3) Meetings and work

During the Reporting Period, the Audit and Consumer Rights Protection Committee of the Board of Directors of the Bank held 7 meetings, reviewed 13 proposals and debriefed 10 reports. The Audit and Consumer Rights Protection Committee of the Board of Directors reviewed the annual internal audit work plan, and suggested that the Bank should improve the classified management of audit projects to ensure the quality of audit work. It regularly listened to internal audit work reports, required internal audit work oriented to risks, strengthened the rectification and tracking of issues identified in audits, revised the working procedures for reviewing annual financial reports by the Audit and Consumer Rights Protection Committee of the Board of Directors, reviewed the 2022 annual financial report and 2023 interim financial report in strict accordance with the relevant rules and regulations of the Bank, recommended the external auditors to enhance the pertinence and adaptability of the audit plan, specified requirements for work handover and continuity matters during the replacement of the external auditors by the Bank, designated working bodies to carry out the annual internal control evaluation, reviewed the evaluation report and the auditor's statement, listened to the report on consumer complaints, the report on the supervision and evaluation of consumer rights protection, and the report on the evaluation of financial consumer rights protection of the People's Bank of China, required the Bank to strengthen cross-departmental coordination and cooperation in consumer protection work, and to intensify support in terms of human resources and technology.

During the Reporting Period, the attendance of the members of the Audit and Consumer Rights Protection Committee of the Board of Directors of the Bank is as follows:

Name	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences
TSE Yat Hong	7	7	–	–
AU Siu Luen	2	2	–	–
YUAN Wei	7	7	–	–
MU Binrui	7	7	–	–
ZHU Ning	7	7	–	–
SHUM Siu Hung Patrick	7	7	–	–
FUNG Joi Lun Alan	5	5	–	–

Notes: (1) During the Reporting Period, the Audit and Consumer Rights Protection Committee of the Board of Directors of the Bank convened three off-site meetings.

(2) Please refer to "Directors, Supervisors, Members of Senior Management, Employees and Branches: Changes in Directors, Supervisors and Members of Senior Management" in this annual report for the changes in the Directors of the Bank during the Reporting Period.

(4) **Audit and Consumer Rights Protection Committee of the Board reviewed the annual financial report for 2023**

The Audit and Consumer Rights Protection Committee of the Board of the Bank performed the following duties during the review of the 2023 Annual Report in accordance with the relevant policies of the Bank: at the on-site auditing stage of the accountants for annual audit, the 27th meeting of the Audit and Consumer Rights Protection Committee of the fifth session of the Board was held on December 27, 2023, at which, the committee listened to the work report of the external auditor for audit plan on the annual financial report for 2023 and pre-audit work progress, and put forward advices and requests. In the process of auditing, the committee strengthened the communication with the accountants for annual audit. After the preliminary audit opinions were issued by the accountants for annual audit, the 28th meeting of the Audit and Consumer Rights Protection Committee of the fifth session of the Board was held on March 27, 2024, at which the committee reviewed the Bank's financial statements and the audit report for 2023, listened to the external auditor's report on the Bank's annual audit work for 2023, and put forward advices. Before holding the annual meeting of the Board, the 29th meeting of the Audit and Consumer Rights Protection Committee of the fifth session of the Board was held on March 27, 2024, at which, the committee considered and approved the Bank's annual financial report for 2023, and agreed to submit it to the Board of the Bank for consideration.

4. Nomination and Remuneration Committee of the Board of Directors

(1) **Personnel composition**

As of the end of the Reporting Period, the Nomination and Remuneration Committee of the Board of Directors of the Bank consisted of six members, being independent non-executive Directors Mr. MAO Zhenhua, Mr. CHI Guotai, Mr. ZHU Ning and Mr. SHUM Siu Hung Patrick; executive Director Mr. WANG Jinhong; non-executive Director Mr. HU Aimin, respectively, and was chaired by Mr. MAO Zhenhua. The Nomination and Remuneration Committee of the Board of Directors was composed of independent non-executive Directors in majority, which complied with the Listing Rules and the Articles of Association of the Bank.

(2) **Main responsibilities**

The main responsibilities of the Nomination and Remuneration Committee of the Board of Directors of the Bank include: reviewing procedures and standards for the election and appointment of Directors and senior management members, and submitting comments and recommendations to the Board for its consideration; nominating members of the Board of Directors and the senior management, preliminarily examining the qualifications and conditions of Directors and senior management members, and making recommendations to the Board of Directors; reviewing the evaluation criteria and evaluation reports of Directors and senior management members, as well as the mutual evaluation reports of independent Directors; examining remuneration packages for Directors, senior management members and other personnel in key positions, making suggestions and recommendations on the establishment of a formal and transparent procedure for developing remuneration policies, and submitting them to the Board for consideration; reviewing and approving matters in relation to the Bank's share scheme under Chapter 17 of the Listing Rules; reviewing employee remuneration management policies and retirement policies; reviewing business performance assessment indicators and performance assessment policies; and performing other duties as authorized by the Board of Directors and required by laws and regulations.

In nominating Directors to the Board of Directors, the Nomination and Remuneration Committee of the Board of Directors of the Bank will take into consideration, including but not limited to, the following:

- relevant provisions of the Company Law, Commercial Banking Law, the Code of Corporate Governance of Banking and Insurance Institutions (《銀行保險機構公司治理準則》), Measures for the Administration of the Office-holding Qualifications of the Directors (Council Members) and Senior Managers of Banking Financial Institutions, Implementation Measures on Administrative Licensing Items on Chinese-Funded Commercial Banks, Listing Rules and other laws and regulations;
- relevant provisions of the Articles of Association of the Bank and the Terms of Reference of the Nomination and Remuneration Committee of the Board of Directors and other internal governance documents;
- the actual work of the Bank;
- the Board Diversity Policy of the Bank, including but not limited to, gender, age, cultural and educational background, ethnicity, industry and professional experience, technical and professional skills and/or qualifications, knowledge, length of service and time to be devoted as a Director;
- the factors set out in Rule 3.13 of the Listing Rules that may affect the independence of an independent non-executive Director candidate; and
- any other factors which the Nomination and Remuneration Committee of the Board of Directors may deem relevant and applicable from time to time.

The Nomination and Remuneration Committee of the Board of Directors of the Bank shall nominate and review the qualifications and conditions for the appointment of Directors in accordance with the Articles of Association and the procedures and standards for the appointment of Directors and make recommendations to the Board of Directors on the nomination of such persons after identifying the suitably qualified person to serve as Director.

(3) Meetings and work

During the Reporting Period, the Nomination and Remuneration Committee of the Board of Directors of the Bank held a total of six meetings and deliberated 13 proposals. The Nomination and Remuneration Committee of the Board of Directors organized and carried out Director evaluation, mutual evaluation of independent Directors and senior management evaluation for 2022. It deliberated the annual group performance assessment indicators for 2023, performance assessment contract of the chairman of the Board for 2023, the formulation of assessment indicators for professional managers for 2023, the remuneration of senior managers for 2022, payroll calculation of the Bank for 2022 and budget for 2023 and other proposals. It also reviewed the qualifications and conditions of the Directors to be appointed and provided clear advice to the Board.

During the Reporting Period, the attendance of the members of the Nomination and Remuneration Committee of the Board of Directors of the Bank is as follows:

Name	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences
MAO Zhenhua	6	6	–	–
WANG Jinhong	1	1	–	–
HU Aimin	6	6	–	–
CHI Guotai	6	6	–	–
ZHU Ning	6	6	–	–
SHUM Siu Hung Patrick	6	6	–	–
LI Fuan	4	4	–	–

Notes: (1) During the Reporting Period, the Nomination and Remuneration Committee of the Board of Directors of the Bank convened 6 off-site meetings.

(2) Please refer to “Directors, Supervisors, Members of Senior Management, Employees and Branches: Changes in Directors, Supervisors and Members of Senior Management” in this annual report for the changes in the Directors of the Bank during the Reporting Period.

5. Development Strategy and Inclusive Finance Committee of the Board of Directors

(1) Personnel composition

As of the end of the Reporting Period, the Development Strategy and Inclusive Finance Committee of the Board of Directors of the Bank consisted of six members, being executive Directors Mr. WANG Jinhong, Mr. QU Hongzhi and Mr. DU Gang; non-executive Directors Mr. AU Siu Luen, Ms. YUAN Wei and Mr. DUAN Wenwu, respectively, and was chaired by Mr. WANG Jinhong.

(2) Main responsibilities

The main responsibilities of the Development Strategy and Inclusive Finance Committee of the Board of Directors of the Bank include: reviewing business development strategies and medium and long-term development plans; assessing development strategies on a regular basis; reviewing proposals for material changes in shareholding, financial reorganization, merger, division and dissolution; reviewing proposals for capital management planning, listing or other fund raising arrangements, use of proceeds, increase or reduction of registered capital and share repurchase; reviewing plans for annual financial budget, final accounts, risk capital allocation, profit distribution and recovery of losses and other financial plans that materially affect our business operations and development, as well as giving opinions or making recommendations as to whether these plans are in line with our development strategies; reviewing annual operational and investment plans as well as giving opinions or making recommendations as to whether these plans are in line with our development strategies; reviewing risk management policies, capital management policies and other management policies that have a significant impact on the business operations and development of the Bank, as well as giving opinions or making recommendations as to whether they are in line with our development strategies; researching our proposals for external investments that are outside the ordinary course of business and other issues that may materially affect our development, as well as making relevant recommendations; formulating plans for the development of inclusive finance business, designing basic management policy and supervising its implementation; and performing other responsibilities as authorized by the Board of Directors.

(3) Meetings and work

During the Reporting Period, the Development Strategy and Inclusive Finance Committee of the Board of Directors of the Bank convened a total of seven meetings, at which 11 proposals were considered and 1 report was debriefed. The Development Strategy and Inclusive Finance Committee of the Board of Directors reviewed the Bank's annual final accounts report, annual budget report, annual profit distribution plan, annual investment plan, annual inclusive finance business development plan, approval of principal responsibilities and business, 2023-2027 capital management plan, work report on the interim evaluation of the Fourth "Five-Year Plan" and other proposals, and required the Bank to shorten the evaluation period for the implementation of strategic plans, set more quantitative data indicators to truly reflect the progress of transformation, and strengthen transformation promotion.

During the Reporting Period, the attendance of the members of the Development Strategy and Inclusive Finance Committee of the Board of Directors of the Bank is as follows:

Name	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences
WANG Jinhong	2	2	–	–
AU Siu Luen	2	2	–	–
YUAN Wei	7	7	–	–
DUAN Wenwu	1	1	–	–
QU Hongzhi	7	7	–	–
DU Gang	7	7	–	–
LI Fuan	4	3	1	–
FUNG Joi Lun Alan	5	5	–	–
YE Baishou	6	5	1	–

Notes: (1) During the Reporting Period, the Development Strategy and Inclusive Finance Committee of the Board of Directors of the Bank convened 6 off-site meetings.

(2) Please refer to "Directors, Supervisors, Members of Senior Management, Employees and Branches: Changes in Directors, Supervisors and Members of Senior Management" in this annual report for the changes in the Directors of the Bank during the Reporting Period.

(IX) Corporate Governance Functions

The Board of Directors of the Bank is responsible for performing its corporate governance functions set out in Appendix C 1 of the Listing Rules, including: developing and reviewing the corporate governance policies and practices; reviewing and monitoring the training and continuous professional development of directors and senior management members; reviewing and monitoring the Bank's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring codes of conduct and compliance manuals for employees and directors; and reviewing the Bank's compliance with the Corporate Governance Code and the disclosure of corporate governance information in the annual report.

IV. BOARD OF SUPERVISORS

(I) Members of the Board of Supervisors

As of the end of the Reporting Period, the fifth session of the Board of Supervisors of the Bank consisted of five Supervisors, including three external Supervisors: Mr. QI Ershi, Mr. DIAO Qinyi and Mr. HUI Yung Chris, and two employees' representative Supervisors: Mr. WANG Chunfeng and Mr. MA Shuming.

(II) The Responsibility of the Board of Supervisors

The Board of Supervisors is the Bank's internal supervisory organization. It is accountable to the Shareholders' general meeting and targets on protecting the legal rights of the Bank, the Shareholders, employees, creditors and other stakeholders. Its major functions and powers include supervising the Board of Directors to establish sound business philosophy, value standards and formulate development strategies in line with the Bank's actual situation; regularly evaluating the scientificity, rationality and effectiveness of the development strategies formulated by the Board of Directors, and forming an evaluation report; inspecting and supervising the Bank's financial activities, operating decisions, internal control and risk management and pushing forward relevant rectifications; supervising the election and appointment process of Directors; supervising the violation of laws and regulations or the Articles of Association of the Bank by the Directors and senior management members when performing their duties, and comprehensively evaluating the performance of the Directors, Supervisors and senior management members, etc.

(III) Work of External Supervisors

As of the end of the Reporting Period, there are three external Supervisors in the Board of Supervisors of the Bank, the number of which is not less than one-third of the total number of members of the Board of Supervisors. The chairmen of the Nomination Committee and the Supervision Committee under the Board of Supervisors are all external Supervisors. During the Reporting Period, the external Supervisors of the Bank strictly complied with the laws and regulations, regulatory requirements and the provisions of the Bank's Articles of Association, actively performed their supervisory duties, and focused on protecting the legitimate rights and interests of the Bank, Shareholders and other stakeholders. They attended all the meetings of the Board of Supervisors that they should attend during the Reporting Period, complying with regulatory requirements in terms of in-person attendance rate, carefully reviewed relevant proposals before the meeting, actively spoke, discuss and communicate at the meetings and provided professional advice and suggestions to the Board of Directors and the senior management on issues such as improving comprehensive risk management, internal control and compliance management, related party transactions management, development strategies, consumer rights protection and implementation of regulatory opinions; presided over and convened 2 meetings of the Nomination Committee of the Board of Supervisors and 3 meetings of the Supervisory Committee of the Board of Supervisors to reach consensus for submission to the Board of Supervisors; attended 2 Shareholders' general meetings, all on-site meetings of the Board of Directors and its special committees during the Reporting Period to conduct on-site supervision on the effective operation of the Board of Directors and its special committees and the speeches of Directors at the meetings, and reviewed documents of off-site meetings. During the adjournment period, they paid close attention to the Bank's operation and management, and reviewed 99 information reports including the Bank's monthly financial statements, information bulletin, on-site inspection opinion letters, minutes of the president's office meetings, and internal control compliance and consumer rights protection risk alerts. All external Supervisors actively participated in the training and surveys in branches as organized by the Board of Supervisors of the Bank.

V. TRAINING AND INVESTIGATIONS OF DIRECTORS AND SUPERVISORS

All Directors of the Bank have attached great importance to developing their own professional capacity building, taken an active part in the training programs organized by regulatory agencies, industry associations and other external institutions as well as the Bank, carefully studied all kinds of information and materials delivered by the Bank related to regulatory policies, industry development, corporate governance and operation management information of the Bank, caught up with the latest regulatory trends and the development status of the Bank, and kept the theoretical level and practical ability current. During the Reporting Period, the Board members, namely Mr. WANG Jinhong, Mr. AU Siu Luen, Ms. YUAN Wei, Mr. DUAN Wenwu, Mr. HU Aimin, Mr. ZHANG Yunji, Mr. QU Hongzhi, Mr. DU Gang, Mr. ZHAO Zhihong, Mr. MAO Zhenhua, Mr. CHI Guotai, Mr. MU Binrui, Mr. TSE Yat Hong, Mr. ZHU Ning and Mr. SHUM Siu Hung Patrick participated in special trainings involving consumer rights protection, anti-corruption, anti-money laundering and corporate governance. The newly appointed Directors, namely Mr. WANG Jinhong, Mr. AU Siu Luen and Mr. DUAN Wenwu, also received compliance training for Hong Kong listed companies, and thoroughly studied and understood their responsibilities as directors of a Hong Kong listed company to ensure that they perform directors' duties in compliance with laws and regulations.

During the Reporting Period, the Board of Supervisors of the Bank conducted two sessions of training for Supervisors focusing on new regulatory regulations and corporate governance priorities, and organized Supervisors to learn the interpretation of the Capital Rules of Commercial Banks (for Consultation), the expected credit loss implementation and optimization project of China Bohai Bank, special lectures on anti-money laundering and banking corporate governance and other contents, which further improved the Supervisors' ability to perform their duties. The Supervisors of the Bank visited 11 branches to conduct surveys and listened in detail to the reports on these branches' implementation of the head office's "Ten Special Tasks", new regulatory regulations, consumer rights protection, and rectification of issues identified in internal and external inspections, and put forward suggestions to further promote the development of featured businesses, optimize management processes, give full play to the role of incentives and constraints, and strengthen policy research and risk management and control.

VI. SENIOR MANAGEMENT

The senior management conducts operational and management activities in accordance with the Articles of Association of the Bank and the authority of the Board of Directors to ensure that the Bank's operations are consistent with the development strategies, risk appetite and other policies approved by the Board of Directors. The senior management is accountable to the Board of Directors and accepts the supervision from the Board of Supervisors. The senior management shall not be interfered with in the operation management activities within the scope of its functions and powers in accordance with the law.

The president shall exercise his/her functions and powers in accordance with the relevant laws and regulations and the Articles of Association of the Bank. The vice presidents and other senior management members shall assist the president in his/her work and perform their duties in accordance with the relevant authorizations.

For details of the responsibilities of the senior management of the Bank, please refer to the Articles of Association published on the websites of the HKEX and the Bank.

(I) Composition and Basic Information of Senior Management

As of the end of the Reporting Period, the senior management of the Bank consisted of five members, including: the president: Mr. QU Hongzhi, the vice presidents: Mr. DU Gang (secretary to the Board of Directors), Mr. ZHAO Zhihong (chief risk officer), Mr. XIE Kai and Mr. JIN Chao. During the Reporting Period, among these five members of the senior management, three persons received less than RMB2 million and two persons received more than RMB2 million for the total amount of pre-tax remuneration from the Bank. For detailed information about the remuneration and other basic information of members of the senior management, please refer to "Directors, Supervisors, Members of Senior Management, Employees and Branches: Directors, Supervisors and Members of Senior Management" of this annual report.

During the Reporting Period, under the leadership of the Party Committee of the head office and the delegation by the Board of Directors and in adherence to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the senior management of the Bank insisted on the general tone of seeking progress while maintaining stability, maintained systematic thinking and a global perspective as always, made every effort to maintain the stability of the overall situation and business development, and maintained the operation and development within a reasonable range, in spite of the extremely severe and complex internal and external business environment.

During the Reporting Period, the senior management of the Bank, in accordance with relevant laws, regulations, the Articles of Association and the Work Rules for Senior Management (《高級管理層工作規則》) of the Bank, conscientiously performed their duties, and worked hard to improve the level of operation and management. A total of 6 bank-wide comprehensive meetings, 43 office meetings of the president, 39 special meetings of the president, 16 meetings of the Assets and Liabilities Management Committee, 7 meetings of the Risk Control Committee, 125 meetings of the Finance Review and Approval Committee, 1 meeting of the Innovation Committee, 16 meetings of the Information Technology Committee, 9 meetings of the Data Management and Data Security Committee and 11 meetings of the Channel Establishment Management Committee were held during the whole year. At various meetings, the senior management members actively expressed their professional opinions, fully communicated on information, and conscientiously solved problems, ensuring the efficient and orderly development of operation and management.

(II) Performance Assessment and Incentive and Restraint Mechanism of Senior Management Members

During the Reporting Period, the Board of Directors of the Bank has conscientiously implemented the resolutions of the Shareholders' general meeting and conducted performance appraisal for senior management members in accordance with the Performance Assessment Methods for Senior Management Personnel (《高級管理人員績效考核辦法》) and the Performance Assessment Methods for Professional Managers (《職業經理人業績考核管理辦法》). The Board of Directors deliberated and approved the Group's performance assessment criteria for 2023, the performance assessment of senior management members closely combined with the Group's performance criteria, as well as the work duty distributed, which further strengthened the incentives and constraints on senior management members.

VII. CHAIRMAN OF THE BOARD OF DIRECTORS AND THE PRESIDENT

The Articles of Association of the Bank stipulates that the positions of the chairman and the president of the Bank shall be separated. As of the end of the Reporting Period, Mr. WANG Jinhong served as the chairman of the Board of Directors of the Bank, and took charge of the work of the party committee and the Board of Directors of the Bank. Mr. QU Hongzhi served as the president of the Bank, and took charge of the operation and management of the Bank. The duties of the chairman and the president are clearly defined and comply with the requirements of the Listing Rules.

VIII. COMPANY SECRETARY

Mr. DU Gang and Ms. ZHANG Xiao (who took over the position of Ms. SO Shuk Yi Betty as a joint company secretary with effect from May 10, 2023) of SWCS Corporate Services Group (Hong Kong) Limited serve as joint company secretaries of the Bank. Mr. DU Gang is the main contact person of Ms. ZHANG Xiao in the Bank.

During the Reporting Period, both Mr. DU Gang and Ms. ZHANG Xiao have complied with the relevant requirements of Rule 3.29 of the Listing Rules and have attended the relevant professional training for no less than 15 hours.

IX. RELATIONSHIP AMONG DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

There is no financial, business, family or other material relationship among the Directors, Supervisors and members of the senior management of the Bank.

X. SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS

The Bank has adopted the Model Code as the code of conduct for the supervision of securities transactions by the Directors and Supervisors of the Bank. Upon specific enquiries with all Directors and Supervisors of the Bank, the Directors and Supervisors of the Bank confirmed that they have complied with the Model Code during the Reporting Period.

XI. CONTRACTED INTERESTS AND SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

To the knowledge of the Bank, the Directors and Supervisors of the Bank have no material interest, directly or indirectly, in any material transactions, arrangements or contracts entered into by the Bank during the Reporting Period. The Directors and Supervisors of the Bank did not enter into any service contract with the Bank which is liable to indemnity (other than statutory indemnity) in the event of termination of the contract by the Bank within one year.

XII. INFORMATION DISCLOSURE

The Bank attaches great importance to information disclosure, strictly complies with the information disclosure regulations and the requirements of the Listing Rules, adheres to the principles of truthfulness, accuracy, completeness, timeliness and fairness, fulfills the obligation of information disclosure, and protects investors' right to know. During the Reporting Period, the Bank completed the preparation and disclosure of Annual Report 2022 and Interim Report 2023 within the specified time limit, published the social responsibility report on time, and timely disclosed the temporary announcements in accordance with regulatory provisions. It continued to enhance the initiative and pertinence of information disclosure with a focus on the concerns of investors, so as to provide supporting information for investors to timely understand the operation, management, transformation and development achievements of the Bank. In 2023, more than 60 information disclosure documents, including periodic reports and temporary announcements, were published on the websites of the HKEX and the Bank.

The Bank carried out inside information management in strict accordance with the regulatory requirements of the place where the securities were listed. Through establishing and optimizing the internal information reporting mechanism, the Bank defined the information reporting route, and ensured the timely, compliant and effective transmission of material information among corporate governance entities. In case of "inside information" as referred to in the SFO, the Bank can timely deal with and release inside information in accordance with the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission of Hong Kong and other relevant regulatory requirements, and strictly keep confidential relevant information before disclosure. During the Reporting Period, the Bank strengthened compliance publicity and education and enhanced the compliance awareness of insiders by organizing staff to study the regulatory requirements, timely releasing the confidentiality notice and the notice on prohibiting securities trading, effectively preventing insider dealing risk.

XIII. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, the Bank did not amend its Articles of Association.

In 2022, in accordance with the Code of Corporate Governance of Banking and Insurance Institutions, the Provisional Measures for the Evaluation of Performance of Duties by Directors and Supervisors of Banking and Insurance Institutions, the Provisional Rules on Major Shareholders' Conduct of Banking and Insurance Institutions, the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions and other relevant laws, regulations and regulatory documents, and based on the actual condition of the Bank, the Bank has made amendments to the Articles of Association, which have been considered and approved at the 2021 annual general meeting, the first domestic shareholders' class meeting of 2022 and the first H shareholders' class meeting of 2022 and will become effective upon approval by the regulatory authorities. For details, please refer to the relevant announcements and circulars published by the Bank on the websites of the HKEX and the Bank.

XIV. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Bank has adopted the code provisions set out in Part 2 of Appendix C1 to the Listing Rules. Pursuant to code provision B.2.2, every director (including those appointed for a specific term) should be subject to retirement by rotation at least once every three years. The term of the fifth session of the Board of Directors of the Bank expired on December 15, 2022. Given that the re-election of the Board of Directors is still in preparation, the re-election of the Board of Directors has been postponed in order to maintain the continuity of the relevant work of the Bank. The Bank will publish announcements and circulars containing details of candidates for the new session of the Board of Directors as soon as practicable.

Pursuant to code provision C.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Due to retirement, Mr. LI Fuan ceased to serve as the chairman of the Bank from July 18, 2023. To ensure the normal operation of the Bank, in accordance with relevant laws and regulations and the relevant provisions of the Articles of Association of the Bank, the Board agreed Mr. QU Hongzhi, an executive Director and the president of the Bank, to act as the acting chairman of the Board, until the date when the qualification of the new chairman of the Board is approved by the relevant regulatory authority. As approved by the National Financial Regulatory Administration, Mr. WANG Jinhong has served as the chairman of the Board of the Bank from October 10, 2023, and Mr. QU Hongzhi ceased to perform the duties of the chairman from the same date. As of the end of the Reporting Period, the Bank has complied with code provision C.2.1.

Save and except for disclosed above, the Bank has complied with the code provisions set out in Part 2 of Appendix C1 to the Listing Rules during the Reporting Period. The Bank has also complied with certain recommended best practices set out in the Code.

XV. APPOINTMENT OF AUDITORS

Pursuant to the relevant requirements on the maximum number of consecutive years for a state-owned financial institution to engage the same accounting firm as stipulated in the Administrative Measures for State-owned Financial Enterprises to Select and Engage Accounting Firms (Cai Jin [2020] No. 6) (《國有金融企業選聘會計師事務所管理辦法》(財金[2020]6號)) issued by the Ministry of Finance of the People's Republic of China, KPMG Huazhen LLP and KPMG, the former accounting firms of the Bank, have served for eight years upon completion of their auditing service for the year of 2022. As considered and approved at the 2022 annual general meeting, the Bank engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu (collectively referred to as "Deloitte") as the respective domestic and overseas auditor of the Bank for the year of 2023. This year was the first year that Deloitte provided audit services to the Bank.

During the Reporting Period, the audit service fees for the Group's financial report (including the financial report audit of its subsidiary) totaled RMB5.29 million, and the fees for the non-audit services (software licensing and implementation services) provided by other Deloitte member firms amounted to RMB1.14 million.

The certified public accountants who signed the audit report on the Bank's financial statements under China Accounting Standards for Business Enterprises for the year were LIU Wei and ZHANG Guannan, and the certified public accountant who signed the audit report on the Bank's financial statements under IFRS was SHI Chung Fai. The above auditors had provided audit services for the Bank for one consecutive year.

XVI. INTERNAL CONTROL

The Board of Directors of the Bank is responsible for ensuring the establishment and implementation of an adequate and effective risk management system, and ensuring the Bank's prudent operation under the framework of laws and policies. The Board of Supervisors is responsible for supervising the Board of Directors and the senior management in improving the risk management and internal control system and supervising the performance of risk management responsibilities by the Board of Directors, the senior management and their members. The senior management is responsible for implementing the resolutions of the Board and ensuring effective performance of risk management responsibilities.

The Board of Directors is responsible for risk management and internal control system, and is responsible for reviewing the effectiveness of relevant systems. The risk management and internal control system are designed to manage rather than eliminate the risk of failure to achieve business objectives, so the Board of Directors can only provide reasonable but not absolute guarantees to avoid material misrepresentation or loss.

The Bank has established a risk prevention system consisting of three lines of defense against each major risk to which it is exposed. The first line of defense of risk management is formed by various business departments, divisions, branches and sub-branches, which assume direct responsibilities for the risk management; the second line of defense of relevant risk management is departments of risk management line, Assets and Liabilities Management Department, Internal Control and Compliance Department, General Office (Public Relations Department) and the Office of the Board of Directors, which take the lead in formulating policies and procedures, monitoring and managing risks; the third line of defense of risk management is the Audit Department, which assumes audit responsibilities for the performance of our business departments and risk management departments.

The Bank closely monitors various risks through risk appetite, risk limits, risk management information systems and a series of risk management policies and measures to respond in a timely manner, especially major risks related to daily operation, including credit risk, market risk, liquidity risk, operational risk, country risk, interest rate risk in the banking book, reputational risk, strategic risk and information technology risk. The Bank focuses on the formulation of rules, policies and implementation of measures related to major risks to optimize the effectiveness and efficiency of risk identification, analysis, assessment and mitigation. For various risks and risk events, the Bank has formulated clear communication and reporting procedures to ensure orderly and efficient risk management. The Board of Directors of the Bank regularly evaluates the effectiveness of the Bank's risk management system. During the Reporting Period, the Bank's risk management system was sound and effective. Please refer to "Management Discussion and Analysis: Comprehensive Risk Management" in this annual report for the details of the Bank's risk management system.

The Bank has established a "four-in-one" internal control organization system consisting of process execution, functional management, second-line supervision and internal audit. The Bank adheres to the principle of "comprehensive, whole-process, and whole-workforce" in internal control management, compliance support, operational risk prevention, case prevention and control, anti-money laundering management, business continuity management, auditing and inspection and other aspects, to promote compliant and orderly management and steady development of all operations.

During the Reporting Period, the Bank continued to improve the long-term mechanism of internal control and compliance management, optimized the internal control and compliance management structure, and strengthened segment management; strengthened assessment and incentives to improve the accuracy and effectiveness of internal control and compliance management assessment; strengthened case prevention management, established a grid-based employee management structure, and improved employee management efficiency; continuously compiled and issued the Internal Control Compliance Risk Alerts (《內控合規風險提示》), and carried out various forms of internal control compliance training to continuously improve employees' compliance awareness and cultivate a compliance culture; improved inspection mechanisms, strengthened inspection management, and coordinated on-site inspections across the bank to realize the organic linkage of on-site inspection planning, execution and supervision; strengthened accountability management, reinforced accountability, and targeted on violations; established an enterprise-level on-site inspection system and promoted its use throughout the bank, continued to optimize the internal control compliance model, and continuously improved the intelligent level of internal control compliance management.

The Bank has established an independent and vertical internal audit system, which independently performs audit functions as a working body under the Audit and Consumer Rights Protection Committee of the Board of Directors and the Board of Supervisors. The organizational structure of the audit department of the head office and the regional audit centers has been established. As the second-level department of the audit department of the head office and the regional audit agencies, the audit centers are accountable to and report to the audit department of the head office. The internal audit of the Bank adopted risk-oriented audit strategies and audit methods. On the basis of risk assessment, the Bank arranged audit plans and audit frequency according to regulatory requirements, risk degree and importance principles, and actively performed the supervision role of audit on key businesses and major risk areas within the scope of duties.

During the Reporting Period, the Bank continued to improve various internal audit policies and procedures, constantly enhanced internal audit capability and technological level, and adopted risk-oriented audit strategies and methods. The Bank carried out various audit works, performed audit supervision duties, and promoted the continuous improvement of the Bank's internal control and risk management.

During the Reporting Period, the Board of Directors of the Bank conducted an annual review on the Bank's risk management and internal control system for 2023, and no material defects have been found while individual implementation at the grassroots level needs to be strengthened. The Board of Directors considered that the Bank's risk management and internal control system was effective.

XVII. INTERNAL AUDIT

During the Reporting Period, the Bank actively expanded the breadth and depth of audit supervision, increased audit efforts on high-risk businesses and institutions, and focused on the asset quality and the whole process of operation and management of credit extension of the Bank, and concentrated on the key tasks and business areas in operation and management. Focusing on the Bank's central tasks, it completed 54 audit projects, including 42 special audits, and 12 regular and subsequent branch audits in accordance with the plan for internal audit work approved by the Audit and Consumer Rights Protection Committee under the Board of Directors, the work arrangements of the Board of Supervisors and regulatory requirements, and completed exit audits in a timely manner according to the Bank's actual situation, revealed the control deficiencies in various risk management of the Bank, including credit risk, compliance risk, market risk, operational risk and technology risk, continuously promoted the rectification of the problems identified in the audits, fully performed the audit duties and constantly promoted the continuous improvement of the internal control and risk management system of the whole bank.

XVIII. CORPORATE CULTURE

The Bank regards corporate culture as its core competitiveness and pushes ahead the construction of corporate culture. Since 2023, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank has thoroughly implemented Xi Jinping Thought on Culture by serving the strategy of deepening reform and transformation and further strengthening the construction of corporate culture. Firstly, the Bank promoted cultural improvement and strengthened value guidance. The "Learning Headlines" and "Value Orientation" columns were opened in the video publicity front of the Bank to promote and implement Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the "Ten Actions" and the "Three Points on Quantity and Quality" of high-quality development of Tianjin, and the corporate culture direction of the Bank. The Bank carried out in-depth corporate culture promotion and training focusing on new employees, unifying employees' thinking and gathering new momentum to promote the Bank's transformation and revitalization of high-quality development. Secondly, the Bank intensified efforts to build a culture of integrity and compliance. The Bank promoted the deep-rooted culture of integrity and compliance and carried out various forms of integrity education and internal control and compliance training to further consolidate the corporate culture of legal compliance and integrity. Thirdly, the Bank strengthened its position building and stepped up publicity and promotion efforts. The Bank coordinated online and offline resources and created a multi-dimensional in-bank publicity front including official accounts, video promotions, cultural special issues, light shows of China Bohai Bank Tower, and display screens in branches so as to further enhance the corporate culture influence. Fourthly, the Bank strived to create a harmonious, democratic, innovative and forward-looking corporate atmosphere. The Bank continued to optimize the employee suggestion mechanism, developed an online exchange platform for corporate culture, improved platform operation and management standards, provided employees with a space for communication and display of cultural life, and engrossed in promoting positive energy. Fifthly, the Bank established harmonious labor relations and enhanced corporate cohesion. The Bank improved its democratic management system, effectively protected employees' rights to know, participate, express and supervise, and created harmonious labor relations. The Bank deepened its service to employees and carried out extensive labor competitions and cultural and sports activities for employees to help them improve new skills in performing their duties, achieving high-quality life and building a "Bohai Big Family". Sixthly, the Bank vigorously improved its brand value. The Bank launched the "CBHB Wealth Management" brand and completed its registration, renewed its principal trademark in Hong Kong, and launched product brands such as "Bo Rong Da (渤融達)", "Boyin Customs Pass (渤銀關稅通)", "Boyin Membership Pass (渤銀會員通)", "Boyin E-Loan Public Credit (渤銀E貸公信貸)", "Qi Hang Jia (企航家)" and "Cheng E-Cun (誠E存)".

XIX. DIVERSITY

The Bank attaches great importance to the diversity of employee groups, strictly abides by the principle of equal employment, and resolutely opposes discrimination against employees or restrictions on employment due to race, ethnicity, region, religion, gender and other personal traits. As of the end of the Reporting Period, the gender ratio of the Group's employees is listed as follows:

Indicator	Unit	Male	Female
Gender ratio of employees	%	46.74	53.26
Gender ratio of middle and senior management	%	80.77	19.23

Report of the Board of Directors

I. PRINCIPAL BUSINESS

The Bank is mainly engaged in banking and related financial services. Please refer to the section headed “Management Discussion and Analysis: Scope of Businesses” in this annual report for the Bank’s main business scope.

II. BUSINESS REVIEW

Please refer to the section headed “Management Discussion and Analysis” in this annual report for the financial performance, major risks, uncertainties and business outlook of the Bank during the Reporting Period; please refer to “Important Events” in this annual report for details of important events after the Reporting Period; please refer to “Compliance with Laws and Regulations” in this chapter for compliance with laws and regulations; please refer to “Performance of Social Responsibilities” in this chapter for environmental policies and performance, and relations with employees, customers, suppliers and other stakeholders.

III. IMPLEMENTATION OF THE RESOLUTIONS OF SHAREHOLDERS’ GENERAL MEETING BY THE BOARD OF DIRECTORS

During the Reporting Period, our Board of Directors fully implemented the resolutions of the Shareholders’ general meeting, and earnestly implemented the Profit Distribution Plan for 2022, the Financial Budget Report for 2023, the Investment Plan for 2023, appointment of external auditors for 2023 and other resolutions reviewed and approved by the Shareholders’ general meeting.

IV. PROFIT DISTRIBUTION

(I) Profit Distribution Policy

The Bank’s Dividend Policy is as follows:

Profit after income tax paid by the Bank was distributed in the following order:

- Making up for losses of previous years;
- Setting aside 10% for statutory reserve fund;
- Setting aside for general (risk) reserve;
- Setting aside for discretionary reserve fund;
- Paying dividends to Shareholders.

No profit shall be distributed to the Bank’s shares held by the Bank. The Bank may distribute dividends in cash or by shares. After the Shareholders’ general meeting of the Bank made a resolution on the profit distribution plan, the Board of Directors of the Bank shall complete the distribution of dividends (or shares) within two months upon the Shareholders’ general meeting. Any shares paid before the call is entitled to interest, but the holders of the shares have no right to participate in the dividends subsequently declared for the prepaid shares. Subject to the provisions of laws and regulations, the Bank may exercise the power of forfeiture with respect to unclaimed dividends, provided that such power may only be exercised after the expiration of the corresponding limitation period applicable to the declaration of dividends.

The Bank shall have the right to cease delivering dividend warrant to the holders of H Shares by mail, but such right can only be exercised after the dividend warrant has not been drawn twice consecutively. If a dividend warrant fails to reach the recipient in the initial mail delivery and is returned, the Bank may exercise such right promptly. Subject to the provisions of the laws and regulations, the Bank shall have the right to sell the shares of the unreachable holders of H Shares through the methods the Board deems appropriate and subject to the following conditions:

- the Bank has distributed dividends on such shares at least three times in a period of 12 years and the dividends are not claimed by anyone during this period;
- after the expiration of the twelve-year period, the Bank makes a public announcement in one or more newspapers in the place where the Bank's shares are listed, stating its intention to sell such shares and notifies the securities regulatory authority of the place where the Bank's shares are listed of such intention.

The Bank shall appoint for Shareholders holding overseas listed foreign shares a recipient agent. The recipient agent shall collect on behalf of the relevant Shareholders concerned the dividends distributed and other payables by the Bank in respect of the overseas listed foreign shares. The recipient agent appointed by the Bank shall comply with the laws of the locality in which the Bank's shares are listed or the relevant requirements of the stock exchange. The recipient agent appointed by the Bank for Shareholders of H Shares shall be a company which is registered as a trust company under the Trustee Ordinance of Hong Kong.

(II) Profit Distribution Proposal for 2023

The Bank proposes to distribute profits for 2023 in below order:

1. The Bank will appropriate statutory surplus reserve base on 10% of the net profit of the Bank amounting to RMB488.266 million;
2. The Bank will appropriate general (risk) reserve amounting to RMB387.046 million;
3. The Bank will not appropriate discretionary surplus reserve in 2023;
4. The Bank will not perform dividend distribution for 2023;
5. In 2023, the Bank will not transfer any reserve funds to increase its share capital.

The aforementioned profit distribution proposal is subject to the review and approval at the 2023 annual general meeting of the Bank.

(III) Cash Dividends in the Past Three Years

	2023 ^{Note}	2022	2021
Dividend payable per 10 shares (tax inclusive, RMB)	–	–	0.87
Cash dividends (tax inclusive, RMB'000)	–	–	1,545,294
Percentage of cash dividends (tax inclusive) in the net profit attributable to ordinary Shareholders of the Bank in the consolidated financial statements (%)	–	–	20.12

Note: Profit distribution proposal for 2023 is subject to the review and approval on the 2023 annual general meeting.

(IV) Tax on Dividends

Pursuant to the applicable provisions and the Implementing Regulations of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), the Bank shall withhold and pay enterprise income tax at the rate of 10% for non-resident enterprise holders of H Shares (including H Shares registered in the name of HKSCC Nominees Limited).

Pursuant to the Notice on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Guo Shui Fa [1993] No. 045 Document (Guo Shui Han [2011] No. 348), the Bank shall withhold and pay individual income tax for Individual holders of H Shares.

For individual holders of H Shares who are Hong Kong or Macao residents and those whose country of domicile is a country or region which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Bank shall withhold and pay individual income tax at the rate of 10% for those shareholders.

For individual holders of H Shares whose country of domicile is the country or region which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Bank shall withhold and pay individual income tax at the rate of 10% for individual holders of H Shares. If those shareholders require a refund of the excessive amount of individual income tax payable under the tax treaty, the Bank will handle applications on their behalf for preferential treatments pursuant to the relevant tax treaties. However, in accordance with the Administrative Measures on Non-resident Taxpayers Claiming Tax Treaty Benefits (No. 35 Announcement of the State Taxation Administration in 2019) (《非居民納稅人享受協定待遇管理辦法》) and the requirements of relevant tax treaties, shareholders shall promptly provide relevant papers and data. Upon the review and approval of the applicable tax authorities, the Bank will assist in refunding the excessive amount of tax withheld.

For the individual holders of H Shares whose country of domicile is a country or region which has entered into a tax treaty with the PRC stipulating a rate of more than 10% but less than 20%, the Bank shall withhold and pay individual income tax at the applicable tax rate stipulated in the relevant tax treaty for those shareholders.

For the individual holders of H Shares whose country of domicile is a country or region which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country or region which has not entered into any tax treaties with the PRC, or under any other circumstances, the Bank shall withhold and pay individual income tax at the rate of 20% for those shareholders.

Pursuant to the relevant requirements under the Notice on the Relevant Taxation Policy regarding the Pilot Programme that Links the Stock Markets in Shanghai and Hong Kong (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and the Notice on the Relevant Taxation Policy regarding the Pilot Programme that Links the Stock Markets in Shenzhen and Hong Kong (Cai Shui [2016] No.127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), for dividends received by mainland individual investors from investing in H Shares listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the Bank shall withhold individual income tax at the rate of 20% on behalf of the investors. Individual investors who have paid withholding tax overseas may apply to the competent tax authority of China Securities Depository and Clearing Corporation Limited for tax credit with valid tax payment certificates. For dividends received by mainland securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for the individual investors. Dividends received by mainland corporate investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect are included in their total income and subject to corporate income tax according to law. The Bank will not withhold and pay the income tax of dividends for mainland corporate investors and those mainland corporate investors shall report and pay the relevant tax themselves.

V. REASONS AND EFFECTS OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES OR CORRECTIONS OF SIGNIFICANT ACCOUNTING ERRORS

For changes in accounting policy, accounting estimates and corrections of significant accounting errors of the Group during the Reporting Period, please refer to the "Audit Report and Financial Report: Notes to the Consolidated Financial Statements" contained in this annual report.

VI. DIRECTORS' INTERESTS IN THE BUSINESS WHICH COMPETES WITH THE BANK

Mr. DUAN Wenwu, a non-executive Director of the Bank, was the chairman of SDIC Capital Co., Ltd. (國投資本股份有限公司) and a non-executive director of China International Capital Corporation Limited (中國國際金融股份有限公司). Our Directors are of the view that, there is no competition or only minimal potential competition between those financial institutions and our Bank arising from our Director's positions in those financial institutions, since: (I) Mr. DUAN Wenwu was not involved in the daily operation and management of the Bank; (II) we have appointed six independent non-executive Directors, representing at least one-third of the total members of our Board of Directors to balance any potential conflict of interests in order to safeguard the interests of our Bank and the Shareholders as a whole. Save as disclosed in this annual report, none of our Directors are interested in any business, which competes or is likely to compete, either directly or indirectly, with our business pursuant to Rule 8.10(2) of the Listing Rules.

VII. DONATIONS

During the Reporting Period, the Group made external donations totaling RMB4.6598 million.

VIII. RESERVES AND RESERVES AVAILABLE FOR DISTRIBUTION

For changes in the Group's reserves and reserves available for distribution, please refer to the "Audit Report and Financial Report: Consolidated Statement of Changes in Shareholders' Equity" contained in this annual report.

As of December 31, 2023, the Group's reserves available for distribution amounted to RMB40.138 billion*.

* According to the Articles of Association, the Group's reserves available for distribution shall be subject to the less of the retained earnings in the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises and the IFRS.

IX. MAJOR CUSTOMERS

As of the end of the Reporting Period, the five largest depositors of the Group accounted for less than 30% of gross deposits from customers and the five largest borrowers accounted for less than 30% of gross loans and advances to customers.

X. EQUITY-LINKED AGREEMENT

During the Reporting Period, the Bank did not enter into any equity-linked agreement.

XI. PERMITTED PROVISION ON INDEMNITY

The Bank has purchased appropriate liability insurance for Directors, Supervisors and members of the senior management in accordance with the relevant provisions of the Articles of Association.

XII. MANAGEMENT CONTRACTS

During the Reporting Period, the Bank did not enter into any administrative or management contracts in respect of the overall or material business of the Company, nor did such contracts existed.

XIII. COMPLIANCE WITH LAWS AND REGULATIONS

During the Reporting Period, the Bank consciously observed various relevant laws and regulations of the banking industry, firmly established the concept of “non-compliance is risk and compliance is benefit”, paid close attention to the adjustment and change of regulatory environment, law and regulation, continuously improved the long-term internal control and compliance mechanism.

XIV. FULFILLMENT OF THE DUTIES OF THE FIRST PERSON RESPONSIBLE FOR PROMOTING THE RULE OF LAW

The Bank earnestly performed its duties of the first person responsible for promoting the rule of law, and took the leading role in learning and implementing Xi Jinping’s thoughts on the rule of law. It duly implemented the requirements of the Party Central Committee, the CPC Tianjin Municipal Committee and the Tianjin Municipal People’s Government on promoting the construction and deployment of the rule of law. Moreover, the Bank insisted on deploying key works on the construction of the rule of law, handling major issues, coordinating key links, and supervising major tasks on its own. The Bank adjusted the composition of the leading group for the construction of the rule of law and “Eighth Five-Year” Rule of Law Publicity and Education Work at head office, so as to enhance its organization leadership. Based on the appraisal standards for the works on rule of law construction, the Bank refined 20 tasks of rule of law construction during the year, which were incorporated into the overall work plan and annual work plan, thus reinforcing work responsibilities.

The Bank’s decisions were made in strict accordance with laws and regulations, and we implemented the procedural rules and decision-making models of the party committee, continuously consolidating the “three legal audits”, and striving for better quality of said audits. By fully assuming the core leadership role of the party committee, we strengthened our control over case management, received regular work-related reports, and promptly worked on resolving any relevant major issues. We improved the complimentary cooperation between our corporate legal team and outside counsel, thus continuously refining our legal risk management system. Our autonomous intelligent property rights management received a comprehensive upgrade, and our integrated legal management platform was also augmented, specifically aimed at facilitating our business development. We further improved our quality of performance in terms of compliance, continued to promote the system of “enact, reform, abolish and interpret”, with 478 systems re-examined and re-implemented in 2023, developing a compliance management manual with a focus on work responsibilities, creating a collective “grid-based” monitoring system for employee conduct, and promoting the thorough realization of compliance standards. We put great efforts in advocating and teaching the idea of the rule of law, carrying out such related activities, and seeking to establish a strong sense of understanding, complying with and implementing the rule of law. We solidified the building of a workforce based on the rule of law, carried out legal compliance seminars, and carried on improving the ideological and political outlook, business competence and professional ethics of our work force, constantly seeking to enhance our corporate governing capabilities in accordance with the rule of law.

Our work plan related to the rule of law are as follows: To fully engage the important role of the “critical few”, carefully implement the planning, deploying and promoting of the rule of law, adhere to the principle of the “three-pronged approach”, i.e. precautionary risk prevention and risk control, as supplemented by retrospective remedial measures. To put core work emphasis on enhancing the awareness of the rule of law and strengthening the rule of law capability, continuously optimizing the work dynamics as defined by a clear division of labor, delegation of duties, work synergy, and mutual constraints, and building a full flow risk management system for legal compliance, a solid “dam” for risk prevention and control.

XV. PERFORMANCE OF SOCIAL RESPONSIBILITIES

(I) Serving Rural Revitalization

During the Reporting Period, the Bank took Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as the guide, fully implemented the spirit of the 20th CPC National Congress, the Central Economic Work Conference and the Central Rural Work Conference, strictly implemented various policy requirements, improved the quality and efficiency of rural financial services, and supported the comprehensive promotion of rural revitalization and the construction of an agricultural power with Chinese characteristics. As of the end of the Reporting Period, the Bank had 6,941 agricultural loan customers in total, with a balance of RMB56,313 million, representing an increase of RMB5,742 million or 11.35% as compared to the end of the previous year. The inclusive agriculture-related loan balance was RMB3,713 million, representing an increase of RMB734 million or 24.67% as compared to the end of the previous year. The investment in rural revitalization bonds amounted to RMB24,686 million. The Bank underwrote the first rural revitalization + carbon market performance rate-linked bond in China with an issuance size of RMB1,000 million, and underwrote the first rural revitalization CMBN project with an issuance size of RMB1,100 million. The number of the issue of rural revitalization theme cards increased significantly, with 5,468 new cards issued throughout the year, a year-on-year increase of nearly 12 times.

Mechanism construction: Firstly, organization and leadership were strengthened. A leading group for consolidating poverty alleviation and serving rural revitalization was set up with the Party Secretary of the head office as the group leader and the President of the head office as the deputy group leader. Secondly, a differentiated performance appraisal system was established to enrich the agriculture-related assessment indicators with adjustment to risk asset benefits to guide and incentivize agriculture-related business expansion. Thirdly, a decentralized credit authority system for agriculture-related credit business was established to optimize the business process in multiple dimensions. Fourthly, a due diligence and exemption system for agriculture-related credit business was established to comprehensively improve the efficiency of serving small and micro enterprises around the long-acting mechanism of “dare to lend, willing to lend, able to lend and good at lending”.

Institutional establishment: As of the end of the Reporting Period, the Bank had opened 13 county outlets, covering Zhejiang, Jiangsu, Guangdong, Hunan, Fujian, Nanchang, Wuhan and other provinces and cities, which accounted for 36% of its coverage of the provinces and cities in China. The county outlet coverage gradually increased.

(II) Protection of Consumer Rights and Interests

During the Reporting Period, with the mission of serving the national strategy, serving the real economy, and serving a better life, and taking protecting the legitimate rights and interests of consumers as its own responsibility, the Bank continued to strengthen the guidance and supervision roles of the Board of Directors, the Board of Supervisors, and the senior management on the protection of consumer rights and interests, and integrated consumer rights protection into corporate governance, corporate culture construction, business development and business management, which comprehensively improved the level of consumer rights protection, and helped build a harmonious financial environment.

Strengthened the construction of consumer protection system. The Bank actively constructed the work layout of “Big Consumer Protection (大消保)” featuring with “Two Improvements and Three Keys (兩全三頭)”, continued to optimize the comprehensive management system for integrated vertical and horizontal operations, and duly performed its obligations on consumer protection. In line with the promulgation and implementation of the “Rules on Consumer Rights Protection of Banking and Insurance Institutions” (《銀行保險機構消費者權益保護管理辦法》), the Bank timely amended 14 items on internal control over consumer protection, and formulated and amended 108 items regarding consumer protection. There were over 370 items regarding consumer protection system throughout the Bank, which increased by 2.5 times as compared to last year. The Bank strengthened personal data protection, formulated and published the “Management Rules on Data Protection for Children Customers of China Bohai Bank (《渤海銀行兒童客戶信息保護管理細則》)”, and carried out the safety hazard investigation and risk assessment on customer personal financial data and the annual specific assessment on data security management throughout the Bank.

Strengthened full-process risk management. The Bank included consumer protection review into its risk management and internal control system, and pushed forward the frontline of risk control through online and offline operations. The Bank carried out consumer protection review in respect of design and development of financial products, pricing management, agreement formulation, marketing and promotion and other aspects. During the Reporting Period, the number of documents being reviewed throughout the Bank increased by 31.50% as compared to last year, with substantive review opinions increased by 59.28% year on year. Based on the complaints, litigations, public opinion and satisfaction investigation in relation to products and services, the Bank revised the key points of consumer protection review, and issued the list of case study on consumer protection review. The Bank independently developed the online consumer protection smart management system, thereby realizing the digitalization of full-process consumer protection review. During the Reporting Period, the Bank continuously enhanced its supervision over the financial marketing and promotion activities carried out by business partners, regulated debt collection, and strictly implemented appropriate administrative requirements. The Bank conducted on-site inspections in 12 branches. The Bank published the Risk Alert on Consumer Protection for the first time, and regularly conducted research and analysis on regulatory penalties and new regulatory rules regarding consumer protection.

Strengthened the construction of consumer protection culture. The Bank included consumer protection in the “2023 Key Works on Concept Promotion of the Party Committee of China Bohai Bank (《渤海銀行黨委 2023 年宣傳思想工作要點》)”, and actively promoted immersive integrity culture building campaigns. The Bank organized various campaigns such as online consumer protection quiz, seminar on basic knowledge and skills of consumer protection and design competition on financial knowledge education promotion. Hence, the construction of integrity education and integrity culture has achieved initial success. Focusing on preventing financial risk, improving finance consumption environment and enhancing consumer protection service skills, the Bank organized and conducted over 730 trainings on consumer protection, with accumulated participants of over 61,000, covering middle and senior management personnel, consumer protection management personnel, grassroots business personnel and new recruits. In addition, based on the position and work requirements of employees, the Bank specifically increased the training frequency for employees who were serving in the position of facing more complaints and exposing to higher risks.

Increased the efforts in financial knowledge promotion and education. The Bank greatly promoted the establishment of comprehensive system of “online + offline” and “centralized + satellited” education and promotion. Focusing on the diversified financial demands of specific population such as “elderly + teenager + new generation”, the Bank offered customized financial service packages, and regularly introduced and deepened financial knowledge promotion and education by fan out from point to area. During the Reporting Period, the Bank carried out a total of 4 centralized education and promotion events, accumulated 12,431 online and offline education and promotion events being held, reaching 97 million consumers. The Bank published over 890 promotion articles through central and provincial mainstream media, reaching over 23.30 million consumers. The Bank won different awards including the “Outstanding Award for Financial Consumer Protection Practice (金融消費者保護傑出實踐獎)”.

Strengthened the management of consumer complaint handling. Adhering to the people-orientated development concept and firmly establishing the concept of “Finance Benefits People”, the Bank duly performed its obligations on consumer complaint handling. The Bank strictly followed the general principle of “three actions and one handling procedure” for consumer complaints, optimized complaint channels, strengthened management at source, promoted the diversified arbitration for financial disputes, and continued to improve the efficiency of complaint handling. During the Reporting Period, the Bank accepted a total of 21,907 consumer complaints, including 21,359 complaints from individuals and 548 complaints from corporate customers, with a general complaint settlement rate of 100%. The complaints received by the Bank were mainly concentrated in the two types of business, namely personal loan business and credit card business, which accounted for 41.10% and 31.46% respectively, totaling 72.56%. The complaints mainly came from the five areas, namely Hubei, Tianjin, Guangdong, Jiangsu and Henan, which accounted for 7.3%, 6.6%, 5.0%, 4.1% and 3.7% respectively, totaling 26.7%.

(III) Development of Green Financial Business

In accordance with the decision and deployment of the CPC Central Committee and the State Council, the Bank actively implemented the national green development philosophy and a sustainable development strategy, anchored low-carbon economy, circular economy and ecological economy around the national “double carbon” goal, increased resource investment in green and low-carbon areas, effectively prevented environmental, social and governance risks. The Bank continuously improved its environmental, social and governance performance, actively fulfilled its social responsibilities and achieved new breakthroughs in economic and environmental benefits. As of the end of the Reporting Period, the Bank’s green loan balance was RMB31,259 million, representing an increase of RMB3,954 million or 14.48% as compared to the end of the previous year.

Strengthened political stance, practiced the responsibility as a state-owned financial enterprise, and optimized the construction of the green financial system and mechanism

The Bank reached a consensus and made concerted efforts to focus on building an advanced green finance bank in China, aiming at ensuring a significant increase in the green credit balance and proportion and striving for other green financial businesses to reach the advanced level among the peers. The Bank issued a number of green financial support policies, such as “Green Finance Analysis Report of China Bohai Bank and Action Plan for Wholesale Business Development (2023-2025)”. The Bank based itself on the resource endowment, strengthened its ESG philosophy, clarified its green finance development goal and action path, guided the whole bank to continuously increase resource investment in the green finance to help create a sustainable industrial and living environment, and served the national strategies and local green development in practice.

Comprehensively improved quality and efficiency, paid equal attention to products, services and technology, and took various measures to deepen green financial service connotation

Firstly, the Bank deeply developed into key green industries, conducted active marketing and grew hand in hand with green enterprises. The Bank focused on new energy industries such as photovoltaic, wind power and energy storage, seized the development opportunities in biopharmaceuticals and new materials and other emerging green industries, and established sound cooperative relations with key green enterprises. Secondly, the Bank innovated service programs around carbon emission reduction support tools. Combined with the Bank's innovative green credit product "Green Asset-backed Loan", the Bank employed the combined scheme of "Green Asset-backed Loan+Carbon Emission Reduction Support Tool" to realize green financial business development. In particular, the Bank supported the Tianjin biomass power generation project which had been highly praised and encouraged by relevant institutions, and the project won the nomination award in the selection of Tianjin innovation projects in financial service for the real economy. Thirdly, the Bank continuously enhanced green finance technological capabilities. The Bank explored and realized green project identification, intelligent-aided credit decision-making in green credit business, customer information repository, green statistics intelligent operation and other functions to improve the environmental and social risk management level. Fourthly, the Bank strengthened risk management, reinforced high-carbon industry project management, supported the energy-saving transformation of traditional industries, refrained from across-the-board and campaign-style carbon reduction, and carried out climate risk stress tests to ensure that the overall green loan asset quality remained sound for an extended period.

Enhanced the business engagement capability in green finance, ensured environmental information disclosure, and expanded the sustainable development brand influence

Firstly, the Bank completed the environmental information disclosure report for the first time, to further clarify the key areas of capital investment, and promote the green and low-carbon transformation of its investment and financing businesses. The Bank gradually improved its ESG management mechanism and green financial system construction, and enhanced brand influence. Secondly, the Bank organized green finance special training in a multi-dimensional, multi-form and multi-cycle manner in conjunction with external professional institutions. Thirdly, the Bank focused on its own green operation and took power saving and many other measures to create a transmission chain of energy conservation and emission reduction. The Bank continued to carry out diversified green public welfare activities, spread green concepts to employees, customers and the public, and strived to achieve "carbon neutrality" in investment and financing structure and the Bank itself. Fourthly, the Bank received recognition in green finance development. In China International Economics and Technology Administration Forum and 2023 High-quality Development Summit, the Bank won the award of "Core Competitiveness – Star for Green Development". The Bank also won the ESG Green Finance Award of the year in 2023 ESG Pioneer 60 for its outstanding performance in green finance.

For more information on the fulfillment of social responsibilities by the Bank during the Reporting Period, please refer to the 2023 Social Responsibility Report published on the websites of the HKEX and the Bank.

XVI. OTHER MATTERS REQUIRED TO BE DISCLOSED

During the Reporting Period, there was no other matter of the Bank to be disclosed.

By order of the Board of Directors
Chairman
WANG Jinhong
March 28, 2024

Report of the Board of Supervisors

I. MAIN WORK OF THE BOARD OF SUPERVISORS

(I) Strengthening the Supervision over Performance of Duties, Focusing on Urging the Board of Directors, Senior Management and Their Members to Perform Their Duties with Due Diligence

Firstly, the Board of Supervisors strengthened its follow-up supervision efforts. Guided by urging the Board of Directors and the senior management to implement and rectify problems identified in regulatory inspections, the Board of Supervisors sorted out and formed the “List of Outstanding Items to be Implemented for the Board of Directors and Senior Management Proposed by the Board of Supervisors of China Bohai Bank for 2021” (《2021年度渤海銀行監事會建議董事會、高級管理層落實未結事項清單》) and the “List of Items to be Implemented and Supervised for the Board of Directors and Senior Management Proposed by the Board of Supervisors of China Bohai Bank for 2022” (《2022年度渤海銀行監事會建議董事會、高級管理層落實事項督辦清單》), set time nodes for rectification and implementation and continued to follow up and supervise. Secondly, the Board of Supervisors strengthened daily performance supervision. The Board of Supervisors sent staff to attend all on-site meetings of the Board of Directors and its special committees in 2023, and to rigorously supervise the effective operation of the Board of Directors and its special committees and Directors’ performance of duties, and reviewed a total of 201 various proposals, reported issues, research issues and others before the meetings; arranged employees’ representative Supervisors to attend the president’s office meetings, 2023 work conference, 2023 first quarterly work conference and interim work conference; continued to pay attention to the operation, development and risk management of the Bank; reviewed a total of 99 information reports, president’s office meeting minutes, on-site inspection opinion letters, internal control compliance risk alerts and other materials during the adjournment period. Thirdly, the Board of Supervisors improved the annual performance evaluation. According to the new regulations on the supervision of duty performance evaluation of directors and supervisors, the Board of Supervisors organized and carried out evaluation of the performance of the Board of Directors, the senior management and their members in 2022. Focusing on the evaluation of the performance of the Board of Directors and the senior management in terms of capital management, risk management, employee conduct management, data governance and other aspects, the Board of Supervisors reported to general meetings and regulatory authorities on time, and informed the Board of Directors and the senior management of the performance evaluation results and related opinions and suggestions. Fourthly, the Board of Supervisors conducted supervision of post-office audits. In 2023, according to the relevant regulatory requirements and resolution of the Board of Directors, the Board of Supervisors conducted the post-office audits of three Directors including LI Fuan, FUNG Joi Lun Alan and YE Baishou, and arranged the audit department to inspect and evaluate their performance during their terms of office.

(II) Strengthening the Supervision over Financial Matters, and Constantly Focusing on Major Financial Decisions of the Bank and Their Implementation

Firstly, the Board of Supervisors considered relevant matters in a timely manner. The Board of Supervisors reviewed the 2022 profit distribution plan, the 2022 annual report, and the 2023 interim report, and offered opinions on the compliance and rationality of the profit distribution plan, as well as the authenticity, accuracy and completeness of the contents of the regular reports. Secondly, the Board of Supervisors listened to reports on implementation. The Board of Supervisors listened to the Report on External Investment Management of China Bohai Bank, attended relevant work meetings of the Board of Directors and the senior management without voting rights during 2023, and conducted on-site supervision over the annual financial budget and final accounts, comprehensive business operation plans and other plans of the Bank. Thirdly, the Board of Supervisors reviewed information of financial position. The Board of Supervisors regularly reviewed key operating information such as monthly reports on assets and liabilities, deposits and loans, profits and income and expenses submitted by the senior management, and continued to pay attention to changes in the important financial indicators, major operating indicators and major provisions of the Bank. Fourthly, the Board of Supervisors supervised the external audit work. It listened to the Report on Appointment of the Accounting Firm’s Work for 2023, dispatched staff to be present at meetings of the Audit and Consumer Rights Protection Committee of the Board of Directors, listened to the reports on the 2022 audit work, 2023 audit plan and pre-audit work by the external auditor, and provided opinions and suggestions on external audit work.

(III) Strengthening the Supervision over Internal Control, and Focusing on the Effectiveness of Internal Control and Improving Internal Control Compliance Levels

Firstly, the Board of Supervisors strengthened supervision over the implementation of regulatory opinions and rectifications. The Board of Supervisors listened to the Report on the Implementation of the Rectification and Accountability Results of the On-Site Inspection Opinion Letter on the Follow-up Assessment of the Rectification and Improvement of the Effectiveness of Risk Management and Internal Control, the Report on Comprehensive Implementation of 2022 Regulatory Reporting of China Bohai Bank and the Report on 2023 Corporate Governance Evaluation and the Rectification Works Arranged by the Bank of China Bohai Bank, put forward targeted rectification opinions and suggestions to the Board of Directors and the senior management, and included comprehensive risk management special audits and bank acceptance bill business audits into the 2023 work plan of the Board of Supervisors, speeding up the rectification and implementation of issues identified during supervision. Secondly, the Board of Supervisors strengthened special supervision on key internal control compliance matters. In accordance with the regulatory requirements relating to the supervisory responsibilities of the Board of Supervisors, besides listening to reports on internal control and compliance work regularly, the Board of Supervisors also listened to reports on case prevention and control, anti-money laundering work, and employee conduct management separately, and put forward specific suggestions for improvement. Thirdly, the Board of Supervisors paid close attention to the implementation of new regulatory regulations. In order to effectively prevent compliance risks and promote sound operations, the Board of Supervisors sent the “Letter on Stepping Up the Implementation of New Supervisory Regulations to Strengthen Sound Operations” to the Board of Directors and senior management, put forward a total of 10 work suggestions under three major items, and listened to the regular quarterly reports from the senior management on the initiatives relating to the implementation of new regulatory regulations such as the Capital Rules of Commercial Banks (for Consultation), the Implementation Rules on Expected Credit Loss Approach of Commercial Banks and Rules on Risk Classification of Financial Assets of Commercial Banks. Fourthly, the Board of Supervisors carried out in-depth research and supervision at the basic corporate level. In 2023, the Supervisors went deep into the basic corporate level and conducted research on 11 branches in Shijiazhuang, Xi’an, Jinan, Nanjing, Suzhou, Hangzhou, Hefei, Shanghai, Shanghai Pilot Free Trade Zone, Shenzhen, and Shenzhen Qianhai, and listened in detail to reports on the operation and management, risk control and compliance, and the rectification and implementation of issues identified in internal and external inspections of relevant branches, and put forward corresponding opinions and suggestions.

(IV) Strengthening the Supervision over Risk Management, and Further Promoting Comprehensive Risk Management to a Higher Level

Firstly, the Board of Supervisors strengthened key supervision over comprehensive risk management and the major risks faced by the Bank. The Board of Supervisors regularly listened to comprehensive risk management reports, reviewed the Bank’s risk appetite and limit management plans, attached great importance to the elimination and disposal of distressed assets, and required the Board of Directors and the senior management to focus on improving asset quality, optimizing concentration, and effectively managing related party transactions and other risk management indicators, effectively mitigated concentration risks, actively implemented real estate-related policies and measures, continued to improve the management of real estate credit business, strengthened credit risk management of non-bond investment business, and effectively controlled the outstanding non-debt investment risks. The Board of Supervisors strived to promote the rectification of issues identified in internal and external inspections of risk management, convened meetings to listen to the Audit Report on Liquidity Risk, the Audit Report on Operational Risk Management and the report on the progress of implementing production and operation risk supervision opinions of China Bohai Bank, provided corresponding opinions and suggestions to the Board of Directors and the senior management in the form of meeting minutes to promote the resolution of prominent issues in comprehensive risk management. Secondly, the Board of Supervisors increased the supervision over reputational risk management. The Board of Supervisors strictly implemented the regulatory requirements for reputational risk management, regularly reviewed the Bank’s reputational risk management reports, guided the audit department to conduct reputational risk management audits, and continued to supervise the opinions on strengthening the supervision of reputational risk management put forward by the Board of Supervisors in 2022. Thirdly, the Board of Supervisors strengthened supervision over the implementation of strategic plans. The Board of Supervisors listened to the Mid-term Evaluation Work Report of the Plan

for Development Strategy (2021-2025), and the Evaluation Report on the Execution of 2022 Development Strategy Plan, recommended that the Board of Directors and the senior management should quantitatively decompose the goals and tasks of the “Ten Special Tasks” into the implementation of the strategic plans, emphasized the guiding and leading role of strategic planning in operation and management, avoided buck-passing between strategic planning and operation and management, and continued to promote deepening reform, transformation and revitalization of the Bank to achieve high-quality development. Fourthly, the Board of Supervisors guided the departments to carry out audit supervision. Based on the key areas of focus of regulatory authorities and the actual risk management and control of the Bank, the Board of Supervisors arranged the departments to carry out special audits on related party transaction management, comprehensive risk management, bank acceptance bill business, capital management, anti-money laundering, implementation of the expected credit loss method of commercial banks, performance compensation management, wealth management business and other aspects in 2022, put forward audit findings and suggestions on system construction, process optimization, personnel management and other aspects, urged the senior management to implement rectification and accountability of issues identified in the audit, and promoted the continuous improvement in risk management efficiency.

II. MEETINGS OF THE BOARD OF SUPERVISORS AND ITS SPECIAL COMMITTEES

(I) Meetings of the Board of Supervisors

During the Reporting Period, the Board of Supervisors of the Bank convened a total of 4 meetings at which 9 resolutions were considered and approved and 49 reports were heard and reviewed. Details are as follows:

1. *The 17th meeting of the fifth session of the Board of Supervisors (Annual Meeting 2022)*

The 17th meeting of the fifth session of the Board of Supervisors of the Bank was held in Tianjin on March 29, 2023. The meeting was held legally and effectively with 5 Supervisors actually attended. 8 resolutions were considered and approved at the meeting and the matters considered included: Work Report of the Board of Supervisors for 2022, the Independent Opinions of the Board of Supervisors on the Relevant Matters for 2022, the Board of Supervisors’ 2022 Report on Self-Evaluation and Assessment of the Performance of Duties of Supervisors (2022年度監事會自我評價和監事履職評價情況報告), the Board of Supervisors’ 2022 Assessment Report on the Performance of Duties of the Board of Directors, Senior Management and Their Members (監事會對董事會、高級管理層及其成員 2022 年度履職評價報告), Profit Distribution Plan for 2022, Internal Control Evaluation Report for 2022, Annual Report 2022 and Work Plan of the Board of Supervisors for 2023.

The meeting also reviewed 15 reports including the Report on the Rectification Plan and Accountability Opinions of the On-Site Inspection Opinion Letter on the Follow-up Rectification Assessment of the Effectiveness of Risk Management and Internal Control of the CBIRC, the Report on Measures to Implement the Capital Rules of Commercial Banks (for Consultation), the Report on the Implementation Rules on Expected Credit Loss Approach of Commercial Banks and Rules on Risk Classification of Financial Assets of Commercial Banks and their Impacts, 2022 Comprehensive Risk Management Report, 2022 Internal Control Compliance Report, 2022 Internal Audit Work Report, 2022 Consumer Rights Protection Work Summary and 2023 Work Highlights, Report on Appointment of the Accounting Firm’s Work for 2023, 2022 Case Prevention and Control Work Summary, 2022 Staff Behavior Assessment Report, 2022 Anti-Money Laundering and Counter-Terrorist Financing Annual Report, 2022 Interim and Third Quarter Consumer Complaints Report, 2022 Data Governance Self-Assessment Report, 2022 Related Party Transaction Management Audit Report, Audit Report on Liquidity Risk.

2. *The 18th meeting of the fifth session of the Board of Supervisors*

The 18th meeting of the fifth session of the Board of Supervisors of the Bank was held in Tianjin on June 26, 2023. The meeting was held legally and effectively with 5 Supervisors actually attended, including 1 Supervisor attended by proxy. 14 reports were reviewed at the meeting, including the Report on the Implementation of the Rectification and Accountability Results of the On-Site Inspection Opinion Letter on the Follow-up Assessment of the Rectification and Improvement of the Effectiveness of Risk Management and Internal Control, the Report on Implementation of New Capital Regulations, the Report on Implementation of the Implementation Rules on Expected Credit Loss Approach of

Commercial Banks and Rules on Risk Classification of Financial Assets, the Mid-term Evaluation Work Report of the Plan for Development Strategy (2021-2025), the Report on the Evaluation of the Protection of Financial Consumer Rights and Interests by the People's Bank of China for 2022, the Report on Liability Quality Management for 2022, the Report on Consumer Complaints in the Fourth Quarter of 2022, the Audit Report on Capital Management, the Audit Report on Performance-Based Compensation Management, the Audit Report on Compliance Risk Management, the Audit Report on Operational Risk Management, the Audit Report on Consumer Right Protection, the Audit Report on Business Continuity Management, and the Audit Report on Real Estate Credit Business.

3. *The 19th meeting of the fifth session of the Board of Supervisors*

The 19th meeting of the fifth session of the Board of Supervisors of the Bank was held in Tianjin on August 28, 2023. The meeting was held legally and effectively with 5 Supervisors actually attended. The Resolution on 2023 Interim Report was considered and approved at the meeting. 12 reports were reviewed at the meeting, including the Report on Implementation of Regulatory Opinions Regarding Production and Operation Risk, the Report on External Investment Management, the Report on Implementation of New Capital Regulations, the Report on Implementation of the Implementation Rules on Expected Credit Loss Approach of Commercial Banks and Rules on Risk Classification of Financial Assets, the Report on Comprehensive Risk Management for the First Half of 2023, the Internal Compliance Report for the First Half of 2023, the Internal Audit Report for the First Half of 2023, the Conclusion on Consumer Right Protection in the First Half of 2023 and the Work Plan for the Second Half of 2023, the Report on Consumer Complaints in the First Quarter of 2023, the Investigation Report on Employee Behavior for the First Half of 2023, the Evaluation Report on the Execution of 2021-2025 Development Strategy Plan (2022), and the Audit Report on Implementation of the Expected Credit Loss Method for Commercial Banks.

4. *The 20th meeting of the fifth session of the Board of Supervisors*

The 20th meeting of the fifth session of the Board of Supervisors of the Bank was held in Tianjin on November 29, 2023. The meeting was held legally and effectively with 5 Supervisors actually attended. 8 reports were reviewed at the meeting, including the Report on Comprehensive Implementation of 2022 Regulatory Reporting of China Bohai Bank, the Report on 2023 Corporate Governance Evaluation and the Rectification Works Arranged by the Bank, the Report on Collection and Disposal of Non-Performing Assets, the Report on Implementation of Remuneration Management System of the Bank and Rectification of Problems Found in Internal and External Inspections for the Past Three Years, the Consumer Rights Protection Supervision and Evaluation Report of the Former CBIRC for 2022, the Report on Internal Audit by Audit Department for the Third Quarter of 2023, the Audit Report on Anti-Money Laundering, and the Post-office Audit Report of the then Vice President WANG Jinhong.

During the Reporting Period, the attendance of the Bank's Supervisors at meetings of the Board of Supervisors was as follows:

Name	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences
WANG Chunfeng	4	3	1	—
QI Ershi	4	4	—	—
DIAO Qinyi	4	4	—	—
HUI Yung Chris	4	4	—	—
MA Shuming	4	4	—	—

(II) Meetings of Each Special Committee of the Board of Supervisors

1. *Nomination Committee of the Board of Supervisors*

(1) Personnel composition

As of the end of the Reporting Period, the Nomination Committee of the fifth session of the Board of Supervisors of the Bank consisted of three members, being external Supervisor QI Ershi, employees' representative Supervisors WANG Chunfeng and MA Shuming, respectively, and was chaired by QI Ershi.

(2) Primary duties

The Nomination Committee of the Board of Supervisors shall be responsible for formulating standards and procedures for selecting and appointing supervisors, and preliminarily examining the qualifications and conditions of supervisor candidates, and making recommendations to our Board of Supervisors; supervising scientificity and reasonability of remuneration management system and policies of the Bank and remuneration plan of senior management personnel; supervising the election and appointment process of Directors; evaluating the performance of Directors, Supervisors and the senior management comprehensively; performing off-office audits on Directors and the senior management; and dealing with other matters authorized or designated by the Board of Supervisors.

(3) Meetings and work

During the Reporting Period, the Nomination Committee of the Board of Supervisors of the Bank held 2 meetings on March 29, 2023 and November 29, 2023, at which 2 resolutions were considered and approved and 1 report was heard and the matters considered included: the Board of Supervisors' 2022 Report on Self-Evaluation and Assessment of the Performance of Duties of Supervisors, and the Board of Supervisors' 2022 Assessment Report on the Performance of Duties of the Board of Directors, Senior Management and Their Members. In addition, it also heard Post-office Audit Report of the Then Vice President WANG Jinhong.

The attendance of members of the Nomination Committee of the Board of Supervisors of the Bank during the Reporting Period was as follows:

Name	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences
QI Ershi	2	2	–	–
WANG Chunfeng	2	2	–	–
MA Shuming	2	2	–	–

2. *The Supervision Committee of the Board of Supervisors*

(1) Personnel composition

As of the end of the Reporting Period, the Supervision Committee of the fifth session of the Board of Supervisors of the Bank consisted of 3 members, being external Supervisors DIAO Qinyi and HUI Yung Chris, and employee's representative Supervisor MA Shuming, respectively, and chaired by DIAO Qinyi.

(2) Primary duties

The Supervision Committee of the Board of Supervisors shall be responsible for supervising the Board of Directors in the forming of sound operating concept and value standards, and a development strategy consistent with our Bank's circumstances, formulating a supervision plan for our Bank's financial activities and implement relevant inspections, monitoring and inspecting our Bank's business decisions, risk management and internal control, and dealing with other matters authorized or designated by the Board of Supervisors.

(3) Meetings and work

During the Reporting Period, the Supervisory Committee of the Board of Supervisors of the Bank held three meetings on March 28, 2023, June 26, 2023 and August 25, 2023, respectively, and listened to 26 reports, including: the Conclusion on Case Prevention and Control Work for 2022, the Evaluation Report on Employee Behavior for 2022, the Annual Report on Anti-Money Laundering and Anti-Terrorism Financing for 2022, the Audit Report on Management of Related Party Transactions for 2022, the Audit Report on Liquidity Risk, the Report on Consumer Complaints in the First Half and Third Quarter of 2022, the Self-Evaluation Report on Data Governance for 2022, the Report on Audit of 2022 Financial Report, the Audit Report on Capital Management, the Audit Report on Performance-Based Compensation Management, the Audit Report on Compliance Risk Management, the Audit Report on Operational Risk Management, the Audit Report on Consumer Right Protection, the Audit Report on Business Continuity Management, the Audit Report on Real Estate Credit Business, the Report on Liability Quality Management for 2022, the Report on Consumer Complaints in the Fourth Quarter of 2022, the Comprehensive Risk Management Report for the First Half of 2023, the Internal Control and Compliance Work Report for the First Half of 2023, the Internal Audit Report for the First Half of 2023, the Conclusion on Consumer Right Protection in the First Half of 2023 and the Work Plan for the Second Half of 2023, the Report on Consumer Complaints in the First Quarter of 2023, the Investigation Report on Abnormal Employee Behavior for the First Half of 2023, the Evaluation Report on the Execution of 2021-2025 Development Strategy Plan (2022), the Audit Report on Implementation of the Expected Credit Loss Method for Commercial Banks, and the External Auditor Report on Review on 2023 Interim Financial Report of China Bohai Bank Co., Ltd.

The attendance of members of the Supervision Committee of the Board of Supervisors of the Bank during the Reporting Period was as follows:

Name	Number of scheduled attendances	Number of attendances in person	Number of attendances by proxy	Number of absences
DIAO Qinyi	3	3	–	–
HUI Yung Chris	3	3	–	–
MA Shuming	3	3	–	–

III. THE INDEPENDENT OPINION OF THE BOARD OF SUPERVISORS ON RELEVANT MATTERS

(I) The Bank's Legal Operations

During the Reporting Period, the Bank conducted operation activities in accordance with the laws and its decision-making procedures were legal and valid. No violations of laws and regulations, the Articles of Association or other behaviors that harmed the interests of the Bank and its Shareholders were found among Directors or the members of the senior management of the Bank during their performance of duty.

(II) The Truth in the Financial Reports

Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP have audited the 2023 financial reports of the Bank prepared in accordance with the requirements set out in the IFRS and the China Accounting Standards for Business Enterprises respectively, and standard unqualified audit reports have been issued. The Board of Supervisors has no objection to the truthfulness of such financial reports.

(III) Use of Proceeds Raised

During the Reporting Period, the use of proceeds raised of the Bank was consistent with promised use.

(IV) Purchase and Sale of Assets

During the Reporting Period, there was no material acquisition or disposal of assets.

(V) Related Party Transactions

The Board of Supervisors has approved the Audit Report on the Related Party Transactions Management for 2023.

(VI) Internal Control

The Board of Supervisors has considered and approved the internal control evaluation report for 2023 of the Bank.

(VII) Implementation on Resolutions of the General Meeting

The Board of Supervisors has held no objection to all reports and proposals submitted to the Shareholders' general meeting for consideration by the Board during the Reporting Period, and supervised the implementation on resolutions of the general meeting. The Board of Supervisors believes that the Board of Directors has earnestly implemented such resolutions of the general meeting.

Important Events

I. MATERIAL LITIGATIONS AND ARBITRATIONS

As of the end of the Reporting Period, the Bank as the plaintiff or claimant was involved in a total of 108 litigations with the amount in dispute of over RMB30 million each, most of which were routine litigations and settlements initiated by the Bank, and no provisions would be made.

As of the end of the Reporting Period, the Bank as the defendant or respondent was involved in a total of 3 litigations with the amount in dispute of over RMB10 million each. Among them, 1 case was pending for judgment, and the remaining 2 cases had not yet entered the substantive trial stage. Currently, no provisions will be made.

As of the end of the Reporting Period, the Bank as the third party was involved in a total of 4 litigations with the amount in dispute of over RMB10 million each. Among them, 1 case had obtained effective judgment, and the Bank did not have to bear any responsibility. 1 case was pending for judgment, and the remaining 2 cases had not yet entered the substantive trial stage. Currently, no provisions will be made.

According to the above, the Bank considers that the above-mentioned litigations and arbitrations will not have any material and adverse impact on our operating activities and financial position.

In 2021, the Bank had a dispute with individual corporate customers over the business of bank acceptance bills pledged by certificates of deposit and reported the case to the security authorities. In 2022, the Bank filed a civil lawsuit with the People's Court in this regard. As of the date of this annual report, the case was in the judicial process. The outcome of the case is subject to the judgment of the court, and the Bank is of the view that the financial impact of the above dispute cannot be reliably estimated.

II. INCREASE OR REDUCTION IN THE REGISTERED CAPITAL, ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER

During the Reporting Period, there was no change in the registered capital of the Bank, and there was no material acquisition and disposal of assets or business merger.

III. IMPLEMENTATION OF EQUITY INCENTIVE PLANS

During the Reporting Period, the Bank did not implement any equity incentive plan.

IV. PRE-EMPTIVE RIGHT

The Articles of Association of the Bank have no mandatory provisions on pre-emptive right.

V. PUBLIC FLOAT

Based on publicly available information and to the knowledge of our Directors, as of the date of this annual report, the Bank had maintained the public float as required by the Listing Rules and the relevant waivers granted by the Hong Kong Stock Exchange.

VI. MATERIAL RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the Reporting Period, all related party transactions of the Bank were conducted in accordance with relevant laws and regulations as well as relevant provisions of domestic and overseas regulatory authorities and the Bank's rules for related party transactions. These transactions were conducted in adherence to the general business principles, and based on conditions which were not superior to those granted to an independent third party, and their terms were fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The related party transactions of the Bank were mainly the credit business with the members of the shareholders' group. Please refer to the "Audit Report and Financial Report: Notes to the Consolidated Financial Statements: 'Related parties'" of this annual report for specific data on related party transactions.

(I) Related Party Transactions Relating to Daily Operation

According to the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions, the material related party transactions of the Bank (including the entering into of related party transactions in respect of a unified transaction agreement which are managed on a similar basis to material related party transactions) were credit-granting related party transactions and service-provision related party transactions. All related party transactions were conducted in accordance with relevant laws and regulations, external regulatory requirements and the Bank's review procedures. During the Reporting Period, the Board of Directors of the Bank approved eight resolutions on material related party transactions (including the entering into of related party transactions in respect of a unified transaction agreement which are managed on a similar basis to material related party transactions): first, the related party transactions on credit business of CBHB Wealth Management Co., Ltd. (渤海理財有限責任公司) considered and approved at the 45th meeting of the fifth session of the Board of Directors; second, the related party transactions on credit business of Tianjin Bohai State-owned Assets Administration Co., Ltd. and the related party transactions on credit business of Hwabao WP Fund Management Co., Ltd. considered and approved at the 48th meeting of the fifth session of the Board of Directors; third, the related party transactions on credit business of Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司), the related party transactions on insurance agency business of Heng An Standard Life Insurance Company Limited and the related party transactions on credit business of CBHB Wealth Management Co., Ltd. considered and approved at the 50th meeting of the fifth session of the Board of Directors; and fourth, the related party transactions on credit business of TEDA Investment Holding Co., Ltd. and the related party transactions on agency wealth management and custody business of CBHB Wealth Management Co., Ltd. considered and approved at the 52nd meeting of the fifth session of the Board of Directors.

As of the end of the Reporting Period, the Bank's net credit amount granted to all related parties were RMB25.445 billion according to the standards of the National Financial Regulatory Administration. Specifically, the net credit amount granted to TEDA Investment Holding Co., Ltd. and its related parties was RMB14.522 billion, that granted to China Shipping Investment Co., Ltd. and its related parties was RMB610 million, that granted to State Development & Investment Corp., Ltd. and its related parties was RMB423 million, that granted to China Baowu Steel Group Corporation Limited and its related parties amounted to RMB1.032 billion, and that granted to Oceanwide Industry Co., Ltd. and its related parties was RMB8.402 billion, and that granted to other related parties reached RMB456 million.

According to the standards of Hong Kong Stock Exchange, the Bank's net credit amount granted to all connected persons amounted to RMB15.132 billion. Specifically, the Bank extended RMB14.522 billion of net credits to TEDA Investment Holding Co., Ltd. and its connected persons, RMB610 million to China Shipping Investment Co., Ltd. and its connected persons, and RMB30,000 to other connected persons. The above-mentioned transactions are transactions conducted by the Bank with its connected persons in the ordinary course of business on general commercial terms or better terms for the Bank, which are fully exempted in accordance with Chapter 14A of the Listing Rules.

Non-credit transactions between the Bank and related parties, such as deposits, service, leasing, agency sales, custody and entrusted management of wealth management products, and other daily related party transactions, are subject to general commercial terms and conditions no superior to those granted to independent third parties. The above-mentioned transactions are connected transactions meeting the full exemption or the minimum exemption level under Chapter 14A of the Listing Rules.

(II) Related Party Transactions Involving Disposal and Acquisition of Assets or Equity

During the Reporting Period, the Bank was not engaged in any related party transactions involving disposal and acquisition of assets or equity.

(III) Related Party Transactions in Joint External Investment

During the Reporting Period, the Bank was not engaged in any related party transactions in joint external investment.

VII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(I) Material Custody, Contracting or Leasing Matters

During the Reporting Period, the Bank had no material custody, contracting or leasing matters which were required to be disclosed.

(II) Material Guarantees

During the Reporting Period, besides the normal business scope, the Bank had no material guarantees which were required to be disclosed.

(III) Other Material Contracts

During the Reporting Period, the Bank had no other material contracts which were required to be disclosed.

VIII. SIGNIFICANT INVESTMENT AND MAJOR INVESTMENT PLAN

During the Reporting Period, the Bank had no significant equity investment or major equity investment plans.

IX. MISAPPROPRIATION OF FUNDS BY THE CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES

The Bank had no controlling shareholder, and there is no misappropriation of the Bank's funds by other related parties. The external accounting firm of the Bank has issued the special explanation accordingly.

X. PENALTIES IMPOSED ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

During the Reporting Period, the Bank was not subject to any investigation due to suspected crimes according to law, or any criminal penalty. The Bank was not subject to any investigation or administrative penalty by CSRC due to suspected violations of laws and regulations, or any major administrative penalty by other competent authorities that has a significant impact on the operation and management of the Bank. During the Reporting Period, none of the Directors, Supervisors and members of the senior management of the Bank was subject to any coercive measures due to suspected crimes according to law, any criminal penalty, any investigation or administrative penalty by CSRC and other competent authorities due to suspected violations of laws and regulations in their performance of duties in the Bank, any confinement measures by disciplinary inspection authorities due to suspected serious violations of discipline, law or duty crimes which affect their performance of duties, or any coercive measures by other competent authorities due to suspected violations of laws and regulations which affect their performance of duties in the Bank. During the Reporting Period, neither the Bank nor any of its Directors, Supervisors or members of the senior management was subject to any administrative and regulatory measures and disciplinary actions taken by the CSRC, other competent authorities or stock exchanges.

XI. INTEGRITY OF THE BANK

During the Reporting Period, the Bank has not experienced circumstances in which it fails to fulfill the obligations determined by legal documents in effective judgment of the court, and is not liable for a relatively large amount of debts that are overdue.

XII. OTHER MATERIAL EVENTS

(I) Obtaining Business Qualification

During the Reporting Period, the Bank was successfully approved by the Shanghai Clearing House for the qualification of first round of institutions participating in central government bond lending business, and approved by the Beijing Stock Exchange for the qualification of first round of institutions participating in corporate (enterprise) bond market.

(II) Issuance of Bonds

On May 12, 2023, the Bank issued three-year financial bonds with face value of RMB10 billion. The fixed coupon interest rate per annum is 2.88%.

On July 25, 2023, the Bank issued three-year financial bonds with face value of RMB10 billion. The fixed coupon interest rate per annum is 2.72%.

(III) Rating

During the Reporting Period, the Bank actively carried out follow-up rating work of international ratings, and delivered positive information of the Bank to rating companies objectively and accurately. As of December 31, 2023, Moody's rated the Bank as Baa3, and Standard & Poor's rated the Bank as BBB-, maintaining the "investment grade" rating. The rating results objectively and comprehensively reflected the operating conditions, market image and industry status of the Bank.

XIII. SUBSEQUENT EVENTS

Upon approval of the Board, the Bank awarded the transferred assets to Tianjin JR Assets Management Co., Ltd (天津融資產管理有限公司) at a transaction price of approximately RMB3,967 million by on-site tender on March 8, 2024. The principal and interest and other debts of the transferred assets amounted to approximately RMB5,667 million. For detail, please refer to the related announcement published by the Bank on the websites of the HKEX and the Bank.

XIV. REVIEW OF ANNUAL RESULTS

The Bank's external auditors Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu have audited the financial reports prepared by the Group in accordance with the requirements set out in the China Accounting Standards for Business Enterprises and the IFRS, and standard unqualified audit reports have been issued. The Audit and Consumer Rights Protection Committee under the Board of the Bank has reviewed and approved the Group's results and financial reports for the year ended December 31, 2023.

XV. PUBLICATION OF THE ANNUAL REPORT

The English and Chinese versions of the annual report prepared by the Bank pursuant to the IFRS and the Listing Rules are available on the website of the HKEX and the website of the Bank.

Audit Report and Financial Report

Contents

Independent Auditor's Report	130
Consolidated Statement of Profit or Loss and Other Comprehensive Income	138
Consolidated Statement of Financial Position	140
Consolidated Statement of Changes in Shareholders' Equity	142
Consolidated Statement of Cash Flows	143
Notes to the Consolidated Financial Statements	145
Unaudited Supplementary Financial Information	268

Independent Auditor's Report

Independent Auditor's Report to the Shareholders of CHINA BOHAI BANK CO., LTD.

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

Opinion

We have audited the consolidated financial statements of CHINA BOHAI BANK CO., LTD. (the "Bank") and its subsidiary (the "Group") set out on pages 138 to 267, which comprise the consolidated statement of financial position as at 31 December 2023 and related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated cash flows statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Key audit matters (Continued)

Loss allowances of loans and advances to customers measured at amortised cost and financial investments measured at amortised cost	
The key audit matter	How the matter was addressed in our audit
<p>The Group uses the expected credit loss ("ECL") model to calculate the loss allowance in accordance with International Financial Reporting Standard 9, Financial Instruments ("IFRS 9").</p> <p>The Group's loans and advances to customers measured at amortised cost as at 31 December 2023 amounted to RMB832,994 million, with loss allowances amounted to RMB24,600 million; and financial investments measured at amortised cost as at 31 December 2023 amounted to RMB358,626 million, with loss allowances amounted to RMB8,717 million.</p> <p>The Group classifies loans and advances to customers and financial investments measured at amortised cost into three stages. A financial asset is classified as stage one when its credit risk has not increased significantly since its initial recognition; while its credit risk has increased significantly since its initial recognition it is classified as stage two. Stage three applies when a financial asset is credit-impaired. The loss allowance for stage one financial assets is measured at an amount equal to a 12-month ECL. The loss allowance for stage two and stage three financial assets is measured at an amount equal to a lifetime ECL.</p> <p>The loss allowance for loans and advances to customers and financial investments measured at amortised cost, other than those that are credit-impaired, is principally measured based on probability of default (PD), loss given default (LGD) and exposure at default (EAD), discount rate and forward-looking information which take into account the historical overdue data, historical loss ratios, internal credit gradings and other adjustment factors.</p>	<p>Our audit procedures for the loss allowances of loans and advances to customers measured at amortised cost and financial investments measured at amortised cost mainly included the following:</p> <ul style="list-style-type: none"> • Design and operating effectiveness of key internal controls: <ul style="list-style-type: none"> – understood, assessed and tested the design and operating effectiveness of key internal controls of ECL model, including the selection, approval, and application of ECL model methodology, parameter updates and periodic verification for models, input of underlying data and parameters, and loan staging based on customer asset quality, cash flow projection used in the discounted cash flow method, and the review and approval of forward-looking information; – understood, assessed and tested the information technology system and design and operating effectiveness of the related controls, including general information technology controls, data transmission between systems, mapping of parameters of ECL model, and system calculation of loss allowance for loans and advances to customers measured at amortised cost and financial investments measured at amortised cost.

Independent Auditor's Report

Key audit matters *(Continued)*

Loss allowances of loans and advances to customers measured at amortised cost and financial investments measured at amortised cost <i>(Continued)</i>	
The key audit matter <i>(Continued)</i>	How the matter was addressed in our audit <i>(Continued)</i>
<p>The loss allowance for credit-impaired loans and advances measured at amortised cost and financial investments measured at amortised cost are principally measured using the discounted cash flow method. Management exercises judgement in determining recoverable cash flows based on a range of factors. These factors include available remedies for recovery, the financial situation of the borrowers, collateral valuation, the seniority of the claim, the existence and cooperativeness of other creditors, and disposals.</p> <p>ECLs for loans and advances to customers and financial investments is a subjective area due to the degree of judgement applied by management in determining loss allowances. From the Group's perspective, the determination of the loss allowances for loans and advances to customers and financial investments is heavily dependent on the external macro economy and the Group's internal credit risk management strategy.</p> <p>We identified the assessment for the ECL allowance as a key audit matter because of the inherent uncertainty and management judgements involved, and because the loss allowance is significant to the financial results and capital of the Group.</p>	<ul style="list-style-type: none"> • ECL model <ul style="list-style-type: none"> – assessed the reliability and appropriateness of the ECL model and the reasonableness of key parameters used in the model, including: PD, LGD, EAD, discount rate, forward-looking information, and evaluated the rationality of the key management judgements on those key parameters; – verified, on a sample basis, the accuracy of ECL model data input such as loan agreement amount, due date, interest rate, guarantee method; – verified, on a sample basis, the calculation logic of ECL model, and tested whether the model reasonably reflected management's modelling methodology.

Independent Auditor's Report

Key audit matters *(Continued)*

Loss allowances of loans and advances to customers measured at amortised cost and financial investments measured at amortised cost <i>(Continued)</i>	
The key audit matter <i>(Continued)</i>	How the matter was addressed in our audit <i>(Continued)</i>
<p>Refer to the accounting policies in "Note 4 (6) to the Consolidated Financial Statements: Financial instruments", "Note 5 to the Consolidated Financial Statements: Significant accounting judgements and estimates", "Note 22 to the Consolidated Financial Statements: Loans and advances to customers" and "Note 23 to the Consolidated Financial Statements: Financial investments" for related disclosures.</p>	<ul style="list-style-type: none"> • Risk-based sample selection for credit review performed on corporate loans and financial investments measured at amortised cost <ul style="list-style-type: none"> – selected samples for credit review by focusing on industries that are significantly affected by fluctuations of economic cycle and policy regulations, and loans with other high-risk characteristics such as non-performing loans, overdue performing loans, rescheduled loans and borrowers with negative publicity; – analysed the borrower's or the debtor's financial and non-financial information, and other available information, and evaluated the reasonableness of management's judgement on staging, including whether credit risk has increased significantly since initial recognition and whether credit impairment events have occurred by reviewing the credit files, interviewing management, independently searching for publicly available information and exercising professional judgement; – performed credit assessments on borrower's or debtor's and guarantor's financial information, collateral valuation, disposal values, the recoverable cash flow through assignment of debt and other sources of repayment for the selected stage 3 credit-impaired loans and advances measured at amortised cost and financial investments measured at amortised cost, tested the recalculation of impairment provision based on the recoverable cash flows and discount rates, and evaluated whether there was any material misstatement.

Independent Auditor's Report

Key audit matters *(Continued)*

Fair value of level 3 financial instruments	
The key audit matter	How the matter was addressed in our audit
<p>The Group mainly adopts active market quotations and valuation techniques to conduct valuation on the financial instruments measured at fair value. Valuation techniques are adopted by the Group to determine the fair value of level 3 financial instruments without active market quotations. The selection of valuation techniques and significant unobservable inputs requires significant accounting judgement and estimation by management.</p> <p>At 31 December 2023, the carrying value of financial instruments classified as level 3 due to the use of significant unobservable inputs was RMB20,409 million.</p> <p>We identified fair value assessment of level 3 financial instruments as a key audit matter because the amount involved is significant and the valuation requires significant judgement and estimation.</p> <p>Refer to the accounting policies in "Note 4 (6) to the Consolidated Financial Statements: Financial instruments", "Note 5 to the Consolidated Financial Statements: Significant accounting judgements and estimates" and "Note 49 to the Consolidated Financial Statements: Fair value" for related disclosures.</p>	<p>Our audit procedures in respect of fair value assessment of level 3 financial instruments mainly included the following:</p> <ul style="list-style-type: none"> • Understood, assessed and tested the design and operating effectiveness of internal controls relating to validation of valuation models, the use and updating of parameters, the input of underlying data, valuation calculations, reviews and approvals related to the fair value assessment of financial instruments. • Selected samples to perform the following audit procedures: <ul style="list-style-type: none"> – assessed the appropriateness of the valuation models, inputs and assumptions used by the Group; – assessed and verified the valuation techniques used in the valuation of complex financial instruments valuation based on the work done by the internal valuation specialists, selected samples to perform independent valuation and compared the results with the Group's valuation.

Independent Auditor's Report

Other information

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

Auditor's responsibilities for the audit of the consolidated financial statements *(Continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shi Chung Fai.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

	NOTES	2023	2022
Interest income		60,317,760	61,602,431
Interest expenses		(42,671,771)	(38,933,892)
Net interest income	6	17,645,989	22,668,539
Fee and commission income		5,077,664	3,540,479
Fee and commission expenses		(1,078,743)	(971,257)
Net fee and commission income	7	3,998,921	2,569,222
Net trading gains/(losses)	8	502,026	(224,543)
Net income from financial investments	9	2,763,298	1,386,594
Other operating income	10	87,136	65,408
Operating income		24,997,370	26,465,220
Operating expenses	11	(10,713,146)	(10,900,887)
Impairment losses on assets	14	(9,121,147)	(9,052,879)
Profit before taxation		5,163,077	6,511,454
Income tax expenses	15	(82,174)	(403,979)
Net profit		5,080,903	6,107,475

The accompanying notes to the financial statements form part of the consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

	NOTE	2023	2022
Net profit		5,080,903	6,107,475
Other comprehensive income, net of income tax:			
Item that will not be reclassified to profit or loss:			
Changes in fair value of equity instruments designated as at fair value through other comprehensive income ("FVTOCI")		148,729	190,419
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of debt instruments at FVTOCI		267,270	(1,521,539)
Allowance for credit losses on debt instruments at FVTOCI		(93,588)	1,122,614
Translation differences of financial statements denominated in foreign currencies		(1,647)	(16,718)
Other comprehensive income, net of income tax		320,764	(225,224)
Total comprehensive income		5,401,667	5,882,251
Attributable to:			
Net profit of shareholders of the parent company		5,080,903	6,107,475
Net profit of non-controlling interests		–	–
Attributable to:			
Total comprehensive income of shareholders of the parent company		5,401,667	5,882,251
Total comprehensive income of non-controlling interests		–	–
Earnings per share			
– Basic and diluted (RMB Yuan)	16	0.23	0.29

The accompanying notes to the financial statements form part of the consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

	NOTES	31 December	
		2023	2022
Assets			
Cash and deposits with the central bank	17	103,494,179	108,394,184
Deposits with banks and other financial institutions	18	20,938,491	16,074,856
Placements with banks and other financial institutions	19	12,353,608	18,333,936
Derivative financial assets	20	1,551,181	1,211,516
Financial assets purchased under resale agreements	21	6,532,553	–
Loans and advances to customers	22	920,394,849	942,723,216
Financial investments:	23		
Financial investments measured at fair value through profit or loss		161,057,566	120,542,087
Financial investments measured at fair value through other comprehensive income		117,150,761	101,487,369
Financial investments measured at amortised cost		354,928,465	322,504,367
Investment in associate	25	–	–
Property and equipment	26	3,586,673	3,740,467
Deferred tax assets	27	14,759,051	13,105,211
Right-of-use assets	28	3,886,770	4,024,889
Other assets	29	12,099,689	7,317,804
Total assets		1,732,733,836	1,659,459,902
Liabilities and shareholders' equity			
Liabilities			
Borrowings from the central bank	30	133,787,964	117,858,168
Deposits from banks and other financial institutions	31	158,762,222	181,175,967
Placements from banks and other financial institutions	32	34,920,012	29,434,826
Derivative financial liabilities	20	990,612	613,173
Financial assets sold under repurchase agreements	33	66,634,253	60,223,721
Deposits from customers	34	934,593,879	863,934,028
Income tax payable		849,131	1,124,939
Debt securities issued	35	267,923,368	276,680,991
Lease liabilities	36	4,115,588	4,229,676
Other liabilities	37	15,754,106	14,233,379
Total liabilities		1,618,331,135	1,549,508,868

The accompanying notes to the financial statements form part of the consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

	NOTES	31 December	
		2023	2022
Shareholders' equity			
Equity attributable to shareholders of the parent company			
Share capital	38	17,762,000	17,762,000
Other equity instruments	39	19,961,604	19,961,604
Capital reserve	40	10,732,077	10,732,077
Surplus reserve	40	7,828,688	7,342,356
General reserve	40	20,678,511	20,245,453
Other reserves	40	(2,718,089)	(3,038,853)
Retained earnings	41	40,157,910	36,946,397
Sub-total		114,402,701	109,951,034
Non-controlling interests		–	–
Total shareholders' equity		114,402,701	109,951,034
Total liabilities and shareholders' equity		1,732,733,836	1,659,459,902

Wang Jinhong
Legal Representative,
Chairman of the
Board

Qu Hongzhi
President
Executive Director

Du Gang
In-charge of
Accounting Affairs

Zhang Hui
In-charge of
Accounting
Department

(Company stamp)

The accompanying notes to the financial statements form part of the consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	Shareholders' equity attributable to the parent company							Non-controlling interests	Total	
		Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings			Sub-total
Balance at 1 January 2023		17,762,000	19,961,604	10,732,077	7,342,356	20,245,453	(3,038,853)	36,946,397	109,951,034	-	109,951,034
Changes in equity for the year:											
Net profit		-	-	-	-	-	-	5,080,903	5,080,903	-	5,080,903
Other comprehensive income		-	-	-	-	-	320,764	-	320,764	-	320,764
Total comprehensive income		-	-	-	-	-	320,764	5,080,903	5,401,667	-	5,401,667
Appropriation of profit											
- Appropriation to surplus reserve	40	-	-	-	486,332	-	-	(486,332)	-	-	-
- Appropriation to general reserve	40	-	-	-	-	433,058	-	(433,058)	-	-	-
- Distribution to other equity instruments holders	41	-	-	-	-	-	-	(950,000)	(950,000)	-	(950,000)
Balance at 31 December 2023		17,762,000	19,961,604	10,732,077	7,828,688	20,678,511	(2,718,089)	40,157,910	114,402,701	-	114,402,701

	Notes	Shareholders' equity attributable to the parent company							Non-controlling interests	Total	
		Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings			Sub-total
Balance at 1 January 2022		17,762,000	19,961,604	10,732,077	6,731,609	19,496,787	(2,813,629)	34,693,629	106,564,077	-	106,564,077
Changes in equity for the year:											
Net profit		-	-	-	-	-	-	6,107,475	6,107,475	-	6,107,475
Other comprehensive income		-	-	-	-	-	(225,224)	-	(225,224)	-	(225,224)
Total comprehensive income		-	-	-	-	-	(225,224)	6,107,475	5,882,251	-	5,882,251
Appropriation of profit											
- Appropriation to surplus reserve	40	-	-	-	610,747	-	-	(610,747)	-	-	-
- Appropriation to general reserve	40	-	-	-	-	748,666	-	(748,666)	-	-	-
- Distribution to other equity instruments holders	41	-	-	-	-	-	-	(950,000)	(950,000)	-	(950,000)
- Dividends distribution to ordinary shareholders	41	-	-	-	-	-	-	(1,545,294)	(1,545,294)	-	(1,545,294)
Balance at 31 December 2022		17,762,000	19,961,604	10,732,077	7,342,356	20,245,453	(3,038,853)	36,946,397	109,951,034	-	109,951,034

The accompanying notes to the financial statements form part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

	2023	2022
Cash flows from operating activities		
Profit before taxation	5,163,077	6,511,454
<i>Adjustments for:</i>		
Impairment losses on assets	9,121,147	9,052,879
Depreciation and amortisation	1,740,894	1,628,498
Net income from financial investments	(2,763,298)	(1,386,594)
Interest expenses on debts securities issued	7,331,223	7,071,366
Net trading (gains)/losses	(219,323)	224,543
Interest income arising from financial investments	(13,722,231)	(12,523,760)
Interest expenses on lease liabilities	157,296	162,733
Net gains on disposal of property and equipment and other long-term assets	(4,406)	(1,735)
	6,804,379	10,739,384
<i>Changes in operating assets</i>		
Net (increase)/decrease in deposits with the central bank	(600,238)	3,654,724
Net decrease in deposits with banks and other financial institutions with the original maturity date of more than three months	50,000	400,001
Net decrease/(increase) in placements with banks and other financial institutions with the original maturity date of more than three months	4,230,000	(8,250,000)
Net decrease/(increase) in loans and advances to customers	18,568,527	(8,914,360)
Net (increase)/decrease in held-for-trading financial assets	(13,011,463)	592,427
Net increase in other operating assets	(6,309,021)	(785,506)
	2,927,805	(13,302,714)
<i>Changes in operating liabilities</i>		
Net increase in borrowings from the central bank	15,623,000	38,495,000
Net (decrease)/increase in deposits from banks and other financial institutions	(22,171,495)	9,617,167
Net increase/(decrease) in placements from banks and other financial institutions	5,142,672	(30,709,771)
Net increase/(decrease) in financial assets sold under repurchase agreements	6,412,433	(7,928,876)
Net increase in deposits from customers	71,288,284	23,284,538
Net decrease in other operating liabilities	(2,598,394)	(747,347)
	73,696,500	32,010,711
Net cash flows generated from operating activities before taxation	83,428,684	29,447,381
Income tax paid	(2,120,079)	(2,616,404)
Net cash flows generated from operating activities	81,308,605	26,830,977

The accompanying notes to the financial statements form part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

	NOTES	2023	2022
Cash flows from investing activities			
Proceeds from disposal sale and redemption of investments		563,110,591	679,593,373
Proceeds received from investment activities		14,808,078	12,317,288
Proceeds from disposal of property and equipment and other long-term assets		3,794	1,735
Purchases of investments		(636,435,101)	(756,288,734)
Purchases of property and equipment, intangible assets and other long-term assets		(598,950)	(868,759)
Net cash flows used in investing activities		(59,111,588)	(65,245,097)
Cash flows from financing activities			
Proceeds from debt securities issued		387,813,695	375,201,325
Repayment of debt securities issued		(398,851,417)	(341,457,290)
Interest paid on debt securities issued		(5,051,125)	(6,732,474)
Dividends or interest payments to shareholders and other equity instruments holders		(950,000)	(2,495,294)
Repayment of lease liabilities		(1,143,440)	(1,110,336)
Net cash flows (used in)/generated from financing activities		(18,182,287)	23,405,931
Effect of foreign exchange rate changes on cash and cash equivalents		282,668	1,250,374
Net increase/(decrease) in cash and cash equivalents	45(a)	4,297,398	(13,757,815)
Cash and cash equivalents as at 1 January		63,085,206	76,843,021
Cash and cash equivalents as at 31 December	45(b)	67,382,604	63,085,206
Net cash flows generated from operating activities include:			
Interest received		46,777,590	61,905,848
Interest paid		(35,117,273)	(37,023,701)

The accompanying notes to the financial statements form part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

1 Background information

CHINA BOHAI BANK CO., LTD. (the “Bank”) is a national joint-stock commercial bank established in Tianjin on 30 December 2005.

The Bank has been approved by the former China Banking and Insurance Regulatory Commission (the “CBIRC”) to hold financial business permit (No. B0017H112000001) and approved by the Market Supervision Administration of Hedong District, Tianjin for the business license (No. 911200007109339563).

On 16 July 2020, the Bank’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 9668).

The Bank commenced its operation on 16 February 2006. As at 31 December 2023, the Bank has established 36 tier-one branches, 33 tier-two branches, 283 sub-branches and 18 small and micro community sub-branches. The total number of outlets reached 370.

The principal activities of the Bank include absorbing public deposits; offering short-term, medium term and long-term loans; arranging settlement of domestic and international accounts; handling accept and discount of bill; issuing financial bonds; acting as agent to issue, settle and underwrite government bonds and proprietary trading bonds issued by financial institutions and government; inter-bank borrowing and lending; trading of foreign currencies on behalf of its customers; selling and purchasing foreign exchange, bank card business; letters of credit and financial guarantees; acting as agent on inward and outward payments; acting as an insurance agent, safe-deposit facilities, derivative trading, securities investment custody, insurance fund custody, selling securities investment fund and other business approved by the banking regulatory institutions of the State Council. For projects subject to approval according to the law, business activities can only be carried out after approval by relevant departments.

According to the “Approval from the China Banking and Insurance Regulatory Commission on the Opening of CBHB Wealth Management Co., Ltd. (渤海理財有限責任公司)”, the subsidiary of the Bank, the Bank established its wholly owned subsidiary CBHB Wealth Management Co., Ltd. with a registered capital of RMB2 billion on 6 September 2022. The approved business scope of CBHB Wealth Management Co., Ltd. includes public issuance of financial products to the non-specific public, investment and management of entrusted investor property, non-public issuance of wealth management products to qualified investors, investment and management of entrusted investor property, consultancy and advisory services and other business as approved by the banking regulatory body of The State Council. The Bank and its subsidiary are collectively referred to as the “Group”.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Basis of preparation

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as well as the disclosure requirements of Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(2) Basis of preparation

Other items in the consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments measured at fair value, as further explained in the respective accounting policies below.

The preparation of financial statements in conformity with IFRSs and relevant regulatory requirements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 5.

3 Adoption of IFRSs and amendments

(1) IFRSs and amendments mandatorily effective for the current year

In the current year, the Group has adopted, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the Group's consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17):	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2:	Disclosure of Accounting Policies
Amendments to IAS 8:	Definition of Accounting Estimates
Amendments to IAS 12:	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12:	International Tax Reform – Pillar Two Model Rules

The directors of the Bank believe that the adoption of the above standards and their amendments has no material impact on the financial position and the financial performance for the current and prior years and the disclosures set out in these consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Adoption of IFRSs and amendments *(Continued)*

(2) Issued but not yet effective amendments to IFRSs

The Group has not adopted the following amendments to IFRSs that have been issued but are not yet effective in the consolidated financial statements:

	Effective for annual periods beginning on or after
Amendments to IFRS 16 – <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to IAS 1 – <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to IAS 1 – <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to IAS 7 and Amendments to IFRS 7 – <i>Supplier’s financing arrangements</i>	1 January 2024
Amendments to IAS 21 – <i>Lack of Exchangeability</i>	1 January 2025
Amendments to IFRS 10 and Amendments to IAS 28 – <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective date deferred indefinitely

The directors of the Bank believe that adoption of the above amendments is not expected to have a material impact on the Group’s future consolidated financial statements.

4 Material accounting policy information

(1) Subsidiary

A subsidiary is an entity (including a structured entity) controlled by the Group. The Group controls an entity if it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an entity.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual or other arrangements.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and any unrealised profit or loss arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

In the Bank’s statement of financial position, long-term equity investment in subsidiary is accounted for using the cost method for subsequent measurement. Dividends declared by subsidiary are recognised in profit or loss except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments. In the Bank’s statement of financial position, interest in subsidiary is accounted for using the cost less impairment losses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Material accounting policy information *(Continued)*

(2) Non-controlling interests

Non-controlling interests represent the equity in a subsidiary not attributable to the parent company directly or indirectly.

Non-controlling interests are presented in the consolidated statement of financial position under shareholders' equity, separately from equity attributable to the shareholders of the parent company. The net profit and comprehensive income attributable to the non-controlling interests and the shareholders of the parent company are presented separately in the consolidated statement of profit or loss and other comprehensive income.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within the consolidated statement of shareholders' equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

(3) Associate

An associate is an entity over which the Group has significant influence but not control or joint control. The significant influence refers to the power to be involved in making decisions on financial and operational policies of the investee, but control or joint control with other parties to formulate these policies is not allowed.

Investments in associates are recognised in the consolidated financial statements using the equity method, and the cost is used as initial recorded value. An adjustment is made to the excess (if any) of the fair value of the net identifiable asset of the investee over the investment cost at the acquisition date. Subsequently, adjustments will be made based on the changes in the Group's share of net assets of the associate upon acquisition. Any excess of the Group's share of the fair value of net identifiable asset of the associate over the investment cost is recognised in profit or loss for the period upon acquisition of investments in the associate.

When the Group's share of losses of the associate is in excess of its share of the equity, the equity held by the Group will be reduced to zero without recognition of additional losses, except that the Group has to fulfil statutory or presumed obligations or pay on behalf of the associate. In this regard, the Group's equity held in the associate is the carrying amount of investments calculated under the equity method, as well as the substantial portion of the Group's equity of net investment in the associate.

Unrealised profit or loss arising from transactions between the Group and its associates is offset against the ratio of equity held by the Group in the associates. However, where there is evidence that the transferred assets have become impaired, the unrealised losses will be recognised in profit or loss immediately.

When the Group ceases to have significant influence over the associates, the selling of all equities of the relevant investee will be accounted for with resulting gains or losses recognised in the consolidated statement of profit or loss, and the portion previously recognised in comprehensive income will be transferred to profit or loss for the period. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Material accounting policy information *(Continued)*

(4) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to RMB at the spot exchange rate at the date of the statement of financial position.

Non-monetary assets and liabilities denominated in foreign currencies that are measured based on historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rate at the date on which the fair value is determined.

Foreign currency differences arising on translation are generally recognised in profit or loss. Monetary items classified as at fair value through other comprehensive income are recognised in profit or loss, except for exchange differences arising from changes in carrying amounts other than amortised cost, which are recognised in other comprehensive income. However, foreign currency differences arising from equity investments in respect of which an election has been made to present subsequent changes in fair value in other comprehensive income recognised in other comprehensive income.

As at the end of the reporting period, the assets and liabilities of foreign operations are translated into the presentation currency of the Group at the exchange rates ruling at the end of the reporting period. All items within equity except for retained profits are translated at the exchange rates ruling at the dates of the initial transactions. Income and expenses in the statement of profit or loss are translated at the spot rate or an approximation of the spot rate on the date of the transaction. The exchange differences arising on the above translation are taken to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(5) Cash and cash equivalents

Cash and cash equivalents refer to monetary assets, which are short-term, highly liquid, readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents comprise cash on hand, deposits with central bank other than restricted deposits, deposits with banks and other financial institutions, placements with banks and other financial institutions with the original maturity date of less than three months and financial assets purchased under resale agreements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Material accounting policy information *(Continued)*

(6) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of an entity and a financial liability or equity instrument of another entity.

(i) Initial recognition and measurement of financial instruments

A financial asset or financial liability is recognised in the statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

A financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

(ii) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income ("FVTOCI"), or at fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An investment in debt instrument is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Material accounting policy information *(Continued)*

(6) Financial instruments *(Continued)*

(ii) *Classification of financial assets (Continued)*

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The designation is made on the basis of a single investment and the underlying investment meets the definition of an equity instrument from the issuer's perspective.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirement to be measured at amortised cost or at FVTOCI as a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

The Group assesses the characteristics of contractual cash flow of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on a particular date are only payments for principal and interest based on the outstanding principal amount. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(iii) *Subsequent measurement of financial assets*

– *Financial assets at FVTPL*

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

– *Financial assets at amortised cost*

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Material accounting policy information *(Continued)*

(6) Financial instruments *(Continued)*

(iii) Subsequent measurement of financial assets (Continued)

– **Investments in debt instruments at FVTOCI**

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

– **Investments in equity investments at FVTOCI**

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss for the period. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(iv) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL and other financial liabilities.

– **Financial liabilities measured at FVTPL**

A financial liability is classified as measured at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities measured at FVTPL are subsequently measured at fair value and net gains and losses (including any interest expenses) are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

– **Other financial liabilities**

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

(v) Impairment of financial instruments

The Group recognises loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortised cost;
- investments in debt instruments measured at FVTOCI;
- credit commitments and financial guarantee contracts, etc.

Financial assets measured at fair value, including financial assets at FVTPL, equity investments designated at FVTOCI and derivative financial assets, are not subject to the ECL assessment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Material accounting policy information *(Continued)*

(6) Financial instruments *(Continued)*

(v) *Impairment of financial instruments (Continued)*

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The Group's method of measuring expected credit losses of financial instruments reflects the following elements: (i) unbiased weighted average probability determined by the results of evaluating a range of possible outcomes; (ii) time value of money; (iii) reasonable and evidence-based information about past events, current conditions, and future economic forecasts that are available at no additional cost or effort at the end of the reporting period.

The maximum period considered when estimating ECL is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECL is the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL is the portion of ECL that result from default events that are possible within the 12 months after the date of the statement of financial position (or a shorter period if the expected life of the instrument is less than 12 months).

The Group classifies financial instruments into three stages and makes provisions for expected credit losses, accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition.

The three risk stages are defined as follows:

Stage 1: A financial instrument of which the credit risk has not significantly increase since initial recognition. The amount equal to 12-month ECL is recognised as loss allowance.

Stage 2: A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired. The amount equal to lifetime ECL is recognised as loss allowance. Refer to Note 48 (a) credit risk for the description of how the Group determines when a significant increase in credit risk has occurred.

Stage 3: A financial instrument is considered to be credit-impaired as at the end of the reporting period. The amount equal to lifetime ECL is recognised as loss allowance. Please refer to Note 48 (a) credit risk for the criteria to determine credit impairment that has occurred.

ECLs on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the date of the statement of financial position.

Please refer to Note 48 (a) credit risk for the measurement of expected credit losses of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Material accounting policy information *(Continued)*

(6) Financial instruments *(Continued)*

(v) Impairment of financial instruments (Continued)

Presentation of allowance for ECL

ECLs are re-measured at each date of statement of financial position to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment loss or reversal in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income. For credit commitments and financial guarantee contracts, the Group recognises loss allowance in other liabilities (loss allowance for credit commitments).

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(vi) Determination of fair value of financial assets and financial liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. The quoted price in the active market should be readily and regularly available from independent sources (e.g. the exchange, broker, industry group or pricing service agency) with prudent utilisation of purchase price, selling price and middle price. The Group should use market valuation method for fair value assessment as much as is feasible, which represents the prices in actual and regularly market transactions on an arm's length basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Material accounting policy information *(Continued)*

(6) Financial instruments *(Continued)*

(vi) Determination of fair value of financial assets and financial liabilities (Continued)

If there is no active market for a financial instrument, appropriate valuation techniques will be used to establish the fair value. Valuation techniques include referencing the price of recent market transactions between well-informed voluntary parties; reference to the current fair value of other instruments that are substantially the same; discounted cash flow model and referencing the valuation results of the third-party valuation agencies. The Group selects appropriate models based on the risk characteristics, liquidity, counterparty risk and pricing basis of specific financial instruments or trading strategies to ensure that their fair value are truly and effectively reflected. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of each of the reporting periods. When referring to the valuation results of third-party valuation agencies, the authority, independence and professionalism of the agencies should be assessed. Where other pricing models are used, inputs are based on market data at the end of each of the reporting periods.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, which are likely to affect the fair value of the financial asset and financial liability.

The Group uses the valuation techniques commonly used by market participants to price financial instruments and techniques which have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. The Group makes use of all factors that market participants would consider in setting a price as much as possible, and incorporates these into its chosen valuation technique and tests for validity using prices from any observable current market transactions in the same instruments. Observable data is given priority to unobservable data unless it is unpractical or unavailable.

(vii) Derecognition of financial assets and financial liabilities

Financial asset of the Group is derecognised when one of the following conditions is met:

- the contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Material accounting policy information *(Continued)*

(6) Financial instruments *(Continued)*

(vii) Derecognition of financial assets and financial liabilities (Continued)

Where the Group has transferred its rights to receive cash flows from an asset, or has retained its rights to receive cash flows from the asset but assumed the obligation to pay those cash flows to eventual recipients while meeting the conditions of the transfer of financial assets, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is an investment in debt instruments at FVTOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability only when its contractual obligation (or part of it) is extinguished.

(viii) Offsetting

Financial assets and financial liabilities are generally presented separately in the statement of financial position, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the statement of financial position when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognised amounts.
- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(7) Perpetual bonds

At initial recognition, the Group classifies the perpetual bonds issued or their components as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments.

Perpetual bonds issued that should be classified as equity instruments are recognised in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the perpetual bonds are redeemed according to the contractual terms, the redemption price is charged to equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Material accounting policy information *(Continued)*

(8) Derivatives and hedge accounting

Derivatives

A derivative is a financial instrument or financial contract that meets the following criteria:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in those market factors; and
- it is settled at a future date.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Derivatives with a positive fair value are reflected in the balance sheet as derivative financial instrument assets and those with a negative fair value as derivative financial instrument liabilities.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognised in profit or loss immediately.

Hedge accounting

At the inception of a hedging relationship, the Group formally designates the hedge instruments and the hedged items, and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to meet the hedge effectiveness in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to analyse the sources of hedge ineffectiveness which are expected to affect the hedging relationship in remaining hedging period. If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio, but the risk management objective for that designated hedging relationship remains the same, the Group would rebalance the hedging relationship.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with fair value gains or losses recognised in profit or loss for the period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Material accounting policy information *(Continued)*

(9) Financial assets held under resale and repurchase agreements

Financial assets purchased under resale agreements are bonds, loans and bills purchased by the Group at certain prices from the sellers under agreements with the commitment to resell these instruments to the original sellers in the future at predetermined prices. Financial assets sold under repurchase agreements refer to bonds, loans and bills sold by the Group at certain prices under agreements with the commitment to buy back these instruments in the future at predetermined prices.

The assets purchased under resale agreements are not recognised, and the payments (including accrued interest) are recognised as receivables on the statement of financial position and are carried at amortised cost. Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statements of financial position and measured in accordance with their original measurement principles. The proceeds (including accrued interest) from the sale are reported as liabilities and are carried at amortised cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expenses over the life of each agreement using the effective interest method.

(10) Property and equipment

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

Property and equipment, except for construction in progress, are stated in the statements of financial position at cost less accumulated depreciation and impairment loss. Construction in progress is stated in the statements of financial position at cost less impairment loss.

The cost of a purchased property and equipment comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. Construction in progress is transferred to property and equipment when the item being constructed is ready for its intended use. No depreciation is provided against construction in progress.

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognised as a separate property and equipment.

The subsequent costs including the cost of replacing part of an item of property and equipment are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Material accounting policy information *(Continued)*

(10) Property and equipment *(Continued)*

Property and equipment are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

Asset category	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	20 years	5.00%	4.75%
Leasehold improvements	Shorter of useful life or remaining lease term	–	–
Operating equipment	5 years	–	20.00%
Motor vehicle	5 years	5.00%	19.00%

Useful lives, residual values and depreciation methods of the Group are reviewed at least at the end of each reporting period.

(11) Leases

A lease is a contract whereby the lessor conveys to the lessee in return for a consideration the right to use an asset for an agreed period of time.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if a party of the contract conveys the right to control the use of one or more identified assets for a period of time in exchange for consideration.

(a) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability of a lease at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct expenses incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note 4 (15).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Material accounting policy information *(Continued)*

(11) Leases *(Continued)*

(a) *As a lessee (Continued)*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate if the interest rate implicit in the lease is not readily determinable. Generally, the Group uses the incremental borrowing rate as the discount rate.

Lease payments refer to payments relating to the right to use leased assets during the lease term which are made by the lessee to the lessor, including:

- fixed payments and in-substance fixed payments, less any lease incentives receivable (if any);
- variable lease payments that depend on an index or a rate, which are determined based on the index or the rate at the commencement date of the lease term when initially measured;
- the exercise price of a purchase option, if the lessee reasonably determines that the option will be exercised;
- payments of penalties for terminating a lease, if the lease term reflects the lessee exercising the option to terminate the lease; and
- amounts expected to be paid under residual value guarantees provided by the lessee.

The Group calculates interest expenses of lease liabilities for each period of the lease term based on fixed periodic rate, and recognises such expenses in profit or loss or cost of related assets. Variable lease payments not included in the measurement of the lease liability are charged to profit or loss or included in the cost of assets where appropriate as incurred.

After the commencement date of the lease, the Group re-measures lease liabilities based on the present value of revised lease payments in following cases:

- there is a change in the amounts expected to be payable under a residual value guarantee;
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Material accounting policy information *(Continued)*

(11) Leases *(Continued)*

(a) As a lessee (Continued)

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(b) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, it assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the head lease is a short-term lease to which the Group applies practical expedient described above, then it classifies the sub-lease as an operating lease.

When lease and non-lease components are contained in a contract, the Group allocates the consideration under the contract to each component in accordance with the IFRS 15.

Lease receipts from operating leases are recognised as rental income using the straight-line method over the lease term, as a portion of "Other operating income".

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Material accounting policy information *(Continued)*

(12) Land use rights

Land use rights are initially recognised at costs and amortised using the straight-line basis over the legal term of use through profit and loss. Impaired land use rights are amortised net of accumulated impairment losses.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 4 (15).

(13) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortisation and impairment loss. The cost of intangible assets less residual value and impairment loss is amortised on the straight-line method over the estimated useful lives.

The respective amortisation periods for intangible assets of the Group are as follows:

Computer software and system development expenses	3 – 5 years
---	-------------

(14) Repossessed assets

Repossessed assets are physical assets or property rights obtained by the Group from debtors, guarantors or third parties following the enforcement of its creditor's rights. Repossessed assets are recorded at fair value of assets not retained, related expenses paid to acquire the repossessed assets are recognised in carrying value of the repossessed assets, and subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, an impairment loss is provided.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Material accounting policy information *(Continued)*

(15) Provision for impairment losses on non-financial assets

The carrying amounts of the following assets are assessed at the end of each of the reporting periods based on the internal and external sources of information to determine whether there is any indication of impairment:

- Property and equipment
- Construction in progress
- Land use rights
- Intangible assets
- Right-of-use assets
- Investments in associates and joint ventures, etc.

Non-financial assets of the Group that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

A cash-generating unit (“CGU”) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group’s operations and how management makes decisions about continuing or disposing of the Group’s assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called “asset”) is the higher of its fair value less costs to sell and its present value of expected future cash flows. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the assets belong.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Material accounting policy information *(Continued)*

(15) Provision for impairment losses on non-financial assets *(Continued)*

An asset's fair value less costs to sell is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal to their present value using a pre-tax discount rate that reflects expected future cash flows, the useful life and the discount rate specific to the asset.

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. A provision for an impairment loss of the asset is recognised accordingly.

If, in a subsequent period, the amount of impairment loss of the non-financial asset decreases and the decrease can be linked objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

(16) Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits and other long-term employee benefits provided in various forms of consideration in exchange for service rendered by employees or compensations for the termination of employment relationship.

Short-term employee benefits include employee wages or salaries, bonuses, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences. Short-term employee benefits are recognised as liabilities in the accounting period in which the service is rendered by the employees based on the amounts paid or the statutory provisioning basis or ratio, with corresponding amounts charged to the profit or loss.

The Group's post-employment benefit plans are defined contribution plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions. During the reporting period, the Group's post-employment benefits mainly include the social pension schemes, unemployment insurance and annuity plan. The social pension schemes and unemployment insurance are calculated according to the base and proportion stipulated by the nation, and the annuity plan is calculated according to a certain proportion of the employees' total wages in the previous year. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with corresponding amounts charged to the profit or loss for the period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Material accounting policy information *(Continued)*

(17) Income tax

Income tax for the reporting period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the reporting period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Except for certain limited exceptions, all deferred tax liabilities and deferred tax assets are recognised. However, for deductible temporary differences, the Group recognises the relevant deferred tax assets to the extent that it is likely to obtain the taxable income to offset the deductible temporary differences. For deductible losses and tax credits that can be carried forward to future years, the corresponding deferred tax assets are recognised to the extent that the future taxable income that is likely to be used to offset the deductible losses and tax credits will be obtained. The same criterion will be applied in determining whether the existing taxable temporary differences are sufficient to support the recognition of deferred tax assets arising from unutilised deductible losses and tax credits, i.e. whether the differences are relevant to the same tax authority and the same taxing entity, and whether they are expected to be reversed in the same period in which the unutilised deductible losses and tax credits can be reversed. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction (other than a business combination), and the transaction does not affect either taxable profits or accounting profits and does not result in an equivalent amount of tax and deductible temporary differences at the time of the transaction. In addition, if the temporary difference is due to the initial recognition of goodwill, the deferred tax liability is not recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Material accounting policy information *(Continued)*

(17) Income tax *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(18) Financial guarantees, provisions and contingent liabilities

(i) *Financial guarantees*

Financial guarantees are contracts that require the issuer (the “guarantor”) to make specified payments to reimburse the beneficiary of the guarantee (“holder”) for a loss that the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognised as deferred income in other liabilities. The deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. The amount of the liability is subsequently measured at the higher of the amount of the provision for losses determined in accordance with the principles of impairment of financial instruments or the amount initially recognised less accumulated amortisation of the gain related to the financial guarantee contract. The increase in the financial guarantee liability is recognised in the income statement.

In terms of off-balance sheet credit commitment, the Group applies expected credit loss model to measure the loss caused by particular debtors incapable of paying due debts, which is present in provisions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Material accounting policy information *(Continued)*

(18) Financial guarantees, provisions and contingent liabilities *(Continued)*

(ii) Other provisions and contingent liabilities

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

For a possible obligation resulting from a past transaction or event whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

(19) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding ("entrusted funds") to the Group, and the Group grants loans to third parties ("entrusted loans") under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

(20) Income recognition

Income is the gross inflow of economic benefit in the periods arising in the course of the Group's ordinary activities when the inflows result in an increase in shareholder's equity, other than an increase relating to contributions from shareholders.

Income is recognised when the Group satisfies the performance obligation in the contract which by transferring the control over relevant goods or services to the customers.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Material accounting policy information *(Continued)*

(20) Income recognition *(Continued)*

The following is the description of accounting policies regarding income from the Group's principal activities:

(i) Interest income

Interest income for financial assets is recognised in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Interest on the impaired assets is recognised based on the amortised cost of the loan (i.e., the carrying amount net of the allowance for expected credit losses) and the effective interest rate.

(ii) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income recognised by the Group reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to customers, and income is recognised when its performance obligation in contracts is satisfied.

The Group recognises income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The customer controls the service provided by the Group in the course of performance or;
- The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.

In other cases, the Group recognises revenue at a point in time at which a customer obtains control of the promised services.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Material accounting policy information *(Continued)*

(20) Income recognition *(Continued)*

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and subsequently are recognised in profit or loss over the useful life of the asset.

(21) Recognition of interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

(22) Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the end of each of the reporting periods are not recognised as a liability at the end of the reporting periods but disclosed separately in the notes to the financial statements.

(23) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's major shareholders.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Material accounting policy information *(Continued)*

(23) Related parties *(Continued)*

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) The entity, or any member of the Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(24) Segment reporting

The Group determines its operating segments based on its internal organisational structure, management requirements and internal reporting systems. If two or more operating segments have similar economic characteristics and meet certain conditions, they are combined into one operating segment for disclosure. Based on the operating segments, the Group determines the reporting segment after considering the materiality principle, and discloses the operating segments that meet the conditions by taking into account various factors such as the products and services involved in the management's organisational management, as well as the geographical region. In preparing segment reports, revenue from intersegment transactions is measured on the basis of actual transaction prices. The accounting policies used in the preparation of segment reports are consistent with those used in the preparation of the Group's financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

5 Significant accounting judgements and estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(1) Measurement of expected credit loss

The measurement of the expected credit loss allowance for the investment in financial assets and debt instruments measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit losses is further detailed in Note 48 (a).

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 48 (a) credit risk.

(2) Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis, and option pricing models. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

(3) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

5 Significant accounting judgements and estimates *(Continued)*

(4) Consolidation of structured entities

The Group applies its judgement to determine whether the control indicators set out in Note 4 (1) indicate that the Group controls a non-principal guaranteed wealth management product, trust plan or a designated asset management plan.

The Group manages or invests in non-principal guaranteed wealth management products, trust plans and designated asset management plans. To determine whether the Group controls such structured entities, the Group mainly evaluates factors such as its decision-making scope as a manager, rights enjoyed by other parties, remuneration for providing management services and exposure to variable return risks, and determines whether the Group is the principal or agent, and then determines whether the structured entities should be consolidated.

6 Net interest income

	2023	2022
Interest income arising from		
Deposits with the central bank	1,062,880	972,867
Deposits with banks and other financial institutions	329,974	263,123
Placements with banks and other financial institutions	887,569	664,333
Loans and advances to customers		
– Corporate loans and advances	24,945,056	24,797,924
– Personal loans	17,705,626	20,712,310
– Discounted bills	1,169,830	1,516,242
Financial assets held under resale agreements	494,594	151,872
Financial investments	13,722,231	12,523,760
Sub-total	60,317,760	61,602,431
Interest expense arising from		
Borrowings from the central bank	(3,566,900)	(2,853,687)
Deposits from banks and other financial institutions	(5,129,480)	(5,740,662)
Placements from banks and other financial institutions	(1,413,741)	(624,212)
Deposits from customers	(24,454,658)	(21,859,585)
Financial assets sold under repurchase agreements	(775,769)	(784,380)
Debt securities issued	(7,331,223)	(7,071,366)
Sub-total	(42,671,771)	(38,933,892)
Net interest income	17,645,989	22,668,539

The above interest income does not include interest income from financial instruments at fair value through profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

7 Net fee and commission income

	2023	2022
Fee and commission income		
Agency services	3,044,037	1,372,060
Settlement and clearing business	937,790	902,803
Credit commitments and loan services	530,773	425,453
Custodian services	293,830	400,290
Consulting services	139,813	188,593
Bank card business	91,432	115,328
Others	39,989	135,952
Sub-total	5,077,664	3,540,479
Fee and commission expenses	(1,078,743)	(971,257)
Net fee and commission income	3,998,921	2,569,222

8 Net trading gains/(losses)

	2023	2022
Exchange losses	(477,328)	(1,305,907)
Net gains from derivative financial instruments	125,508	894,876
Net gains from bond investments at fair value through profit or loss	807,305	302,744
Net losses from trading of precious metals	(191,643)	(186,686)
Net gains from loans and advances at fair value through profit or loss	273,063	76,403
Net losses from equity investments	(60,527)	(5,973)
Others	25,648	—
Total	502,026	(224,543)

9 Net gains arising from financial investments

	2023	2022
Net gains of financial investments at fair value through profit or loss	2,348,320	909,003
Net gains on disposal of financial investments at fair value through other comprehensive income	296,320	207,642
Dividend income	34,800	48,000
Net gains on disposal of financial investments at amortised cost	83,858	221,949
Total	2,763,298	1,386,594

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

10 Other operating income

	2023	2022
Government grants	50,727	46,522
Rental income	12,286	8,484
Income from long-term suspended accounts	15,447	7,957
Others	8,676	2,445
Total	87,136	65,408

11 Operating expenses

	2023	2022
Staff costs		
– Salaries, bonuses and allowances	3,719,174	4,130,074
– Social insurance and annuity	1,042,089	938,764
– Housing funds	585,837	527,874
– Staff welfare	271,370	252,685
– Employee education expenses and labour union expenses	115,533	129,777
– Others	225,854	263,723
Sub-total	5,959,857	6,242,897
Depreciation and amortisation	1,740,894	1,628,498
Taxes and surcharges	429,065	443,177
Interest expense on lease liabilities	157,296	162,733
Auditor's remuneration	5,290	6,243
Other general and administrative expenses	2,420,744	2,417,339
Total	10,713,146	10,900,887

Expenses relating to short-term leases and leases of low-value assets amounted to RMB41 million for the year ended 31 December 2023 (for the year ended 31 December 2022: RMB63 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

12 Directors' and supervisors' emoluments

The emoluments paid before individual income tax in respect of the directors and supervisors who held office during the year are as follows:

Year ended 31 December 2023								
	Notes	Fees	Salaries	Housing funds and social insurances	Annuities	Others	Discretionary bonuses of prior years	Total
Executive directors								
Wang Jinhong	(a)	-	60	52	32	3	-	147
Qu Hongzhi		-	1,185	205	129	3	1,167	2,689
Du Gang		-	948	152	128	3	859	2,090
Zhao Zhihong		-	948	205	129	3	564	1,849
Li Fuan	(c)	-	80	29	30	3	829	971
Non-executive directors								
Au Siu Luen	(d)	-	-	-	-	-	-	-
Yuan Wei		-	-	-	-	-	-	-
Duan Wenwu	(e)	-	-	-	-	-	-	-
Hu Aimin		-	-	-	-	-	-	-
Zhang Yunji		-	-	-	-	-	-	-
Fung Joi Lun Alan	(f)	-	-	-	-	-	-	-
Ye Baishou	(g)	-	-	-	-	-	-	-
Independent non-executive directors								
Mao Zhenhua		350	-	-	-	-	-	350
Chi Guotai		350	-	-	-	-	-	350
Mu Binrui		350	-	-	-	-	-	350
Tse Yat Hong		350	-	-	-	-	-	350
Zhu Ning		350	-	-	-	-	-	350
Shum Siu Hung Patrick		233	-	-	-	-	-	233
Supervisors								
Wang Chunfeng		-	240	205	66	3	386	900
Qi Ershi		175	-	-	-	-	-	175
Diao Qinyi		175	-	-	-	-	-	175
Hui Yung Chris		175	-	-	-	-	-	175
Ma Shuming		-	845	205	129	3	1,247*	2,429
Total		2,508	4,306	1,053	643	21	5,052*	13,583

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

12 Directors' and supervisors' emoluments (Continued)

	Notes	Year ended 31 December 2022						Total
		Fees	Salaries	Housing funds and social insurances	Annuities	Others	Discretionary bonuses of prior years	
Executive directors								
Li Fuan		-	232	161	18	1	894	1,306
Qu Hongzhi		-	1,184	202	142	-	794	2,322
Du Gang		-	947	139	90	-	657	1,833
Zhao Zhihong	(b)	-	947	202	142	-	1,479	2,770
Li Yi	(i)	-	64	51	20	-	56	191
Non-executive directors								
Fung Joi Lun Alan		-	-	-	-	-	-	-
Yuan Wei		-	-	-	-	-	-	-
Ye Baishou		-	-	-	-	-	-	-
Hu Aimin		-	-	-	-	-	-	-
Zhang Yunji		-	-	-	-	-	-	-
Wang Zhiyong	(j)	-	-	-	-	-	-	-
Cui Xuesong	(k)	-	-	-	-	-	-	-
Zhang Xifang	(l)	-	-	-	-	-	-	-
Independent non-executive directors								
Mao Zhenhua		350	-	-	-	-	-	350
Chi Guotai		350	-	-	-	-	-	350
Mu Binrui		350	-	-	-	-	-	350
Tse Yat Hong		350	-	-	-	-	-	350
Zhu Ning		350	-	-	-	-	-	350
Shum Siu Hung Patrick	(h)	-	-	-	-	-	-	-
Wang Ren	(m)	350	-	-	-	-	-	350
Supervisors								
Wang Chunfeng		-	232	202	70	1	589	1,094
Qi Ershi		350	-	-	-	-	-	350
Diao Qinyi		350	-	-	-	-	-	350
Hui Yung Chris		350	-	-	-	-	-	350
Ma Shuming		-	531	202	142	1	1,419*	2,295
Total		3,150	4,137	1,159	624	3	5,888*	14,961

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

12 Directors' and supervisors' emoluments (Continued)

There was no amount paid during the year to the directors in connection with their retirement from employment or compensation for loss of office, or inducement to join the Bank.

According to relevant regulations of the state, the discretionary bonuses of the executive directors and some supervisors of the Bank shall implement the deferred payment policy of performance salary, and the deferred payment period shall be no less than three years. The above amount includes the discretionary bonuses paid in the current year that relates to the previous years.

* For the year ended 31 December 2023, the discretionary bonus of Ma Shuming included RMB50 thousand for current year and RMB1,197 thousand for prior years. The total discretionary bonus for the current year was RMB50 thousand and that relating to prior years was RMB5,002 thousand.

* For the year ended 31 December 2022, the discretionary bonus of Ma Shuming included RMB39 thousand for current year and RMB1,380 thousand for prior years. The total discretionary bonus for the current year was RMB39 thousand and that relating to prior years was RMB5,849 thousand.

Notes:

- (a) On 10 October 2023, Wang Jinhong was appointed as chairman and executive director of the Bank.
- (b) On 28 July 2022, Zhao Zhihong was appointed as executive director of the Bank.
- (c) On 18 July 2023, Li Fuan was resigned as chairman and executive director of the Bank.
- (d) On 26 September 2023, Au Siu Luen was appointed as vice chairman and non-executive director of the Bank.
- (e) On 1 November 2023, Duan Wenwu was appointed as non-executive director of the Bank.
- (f) On 26 September 2023, Fung Joi Lun Alan resigned as vice chairman and non-executive director of the Bank.
- (g) On 1 November 2023, Ye Baishou resigned as non-executive director of the Bank.
- (h) On 31 October 2022, Shum Siu Hung Patrick was appointed as independent non-executive director of the Bank.
- (i) On 29 March 2022, Li Yi resigned as executive director of the Bank.
- (j) On 21 April 2022, Wang Zhiyong resigned as non-executive director of the Bank.
- (k) On 29 March 2022, Cui Xuesong resigned as non-executive director of the Bank.
- (l) On 21 April 2022, Zhang Xifang resigned as non-executive director of the Bank.
- (m) On 31 October 2022, Wang Ren resigned as independent non-executive director of the Bank.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

13 Individuals with highest emoluments

For the year ended 31 December 2023, the five individuals with highest emoluments paid did not include any directors and supervisors of the Bank (for the year ended 31 December 2022: None).

The emoluments paid to the five highest paid individuals for the year ended 31 December 2023 are as follows:

	2023	2022
Salaries and other emoluments	3,902	6,469
Discretionary bonuses	14,516	15,347
Housing funds and social insurances	799	770
Annuities	591	506
Others	15	53
Total	19,823	23,145

The number of these individuals whose emoluments are within the following bands is set out below:

	2023	2022
HKD3,500,001 – 4,000,000	3	–
HKD4,000,000 – 4,500,000	–	–
HKD4,500,001 – 5,000,000	–	2
HKD5,000,001 – 5,500,000	2	1
HKD5,500,001 – 6,000,000	–	1
HKD6,000,001 – 6,500,000	–	1

None of these individuals received any inducement to join or upon joining the Group or compensation for loss of office, or waived any emoluments during the year.

14 Impairment losses on assets

	2023	2022
Deposits with banks and other financial institutions	(1,774)	(11,248)
Placements with banks and other financial institutions	(35,754)	13,098
Financial assets held under resale agreements	3,792	–
Loans and advances to customers	6,792,734	8,123,815
Financial investments	143,828	303,891
Credit commitments	(100,572)	(49,384)
Others	2,318,893	672,707
Total	9,121,147	9,052,879

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

15 Income tax expense

(a) Income tax expense:

	Note	2023	2022
Current tax		1,842,479	2,516,445
Deferred tax	27(b)	(1,760,305)	(2,112,466)
Total		82,174	403,979

(b) Reconciliations between income tax expense and accounting profit are as follows:

	2023	2022
Profit before taxation	5,163,077	6,511,454
PRC statutory income tax rate	25%	25%
Income tax calculated at PRC statutory tax rate	1,290,769	1,627,864
Non-deductible expenses	404,627	542,618
Non-taxable income (i)	(1,289,414)	(1,529,756)
Deductible undated capital bonds interest expense	(237,500)	(237,500)
Others	(86,308)	753
Income tax expense	82,174	403,979

(i) The non-taxable income mainly represents the interest income arising from the People's Republic of China ("PRC") government bonds, municipal debts, and dividend income from funds.

16 Basic and diluted earnings per share

	2023	2022
Net profit for the period attributable to shareholders of the parent company	5,080,903	6,107,475
Less: Interest on undated capital bonds declared	(950,000)	(950,000)
Net profit for the period attributable to ordinary shareholders of the parent company	4,130,903	5,157,475
Weighted average number of ordinary shares in issue (in thousands)	17,762,000	17,762,000
Basic and diluted earnings per share (in RMB Yuan)	0.23	0.29

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

17 Cash and deposits with the central bank

	Notes	Years ended 31 December	
		2023	2022
Cash		362,503	503,504
Deposits with the central bank			
– Statutory deposit reserves	(a)	63,163,765	62,453,533
– Surplus deposit reserves	(b)	39,725,030	45,085,427
– Fiscal deposits and others		210,034	320,029
Sub-total		103,098,829	107,858,989
Interests accrued		32,847	31,691
Total		103,494,179	108,394,184

- (a) The Bank places statutory deposit reserves with the People's Bank of China ("PBOC") in accordance with relevant regulations. The statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December	
	2023	2022
Reserve ratio for RMB deposits	7.00%	7.50%
Reserve ratio for foreign currency deposits	4.00%	6.00%

The statutory deposit reserves are not available for the Group's daily business.

- (b) The surplus deposit reserves include funds maintained with the PBOC for the purpose of clearing.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Deposits with banks and other financial institutions

Analysed by type and location of counterparty:

	31 December	
	2023	2022
Deposits in Mainland China		
– Banks	12,770,164	12,019,090
Sub-total	12,770,164	12,019,090
Deposits outside Mainland China		
– Banks	8,189,899	4,231,329
Sub-total	8,189,899	4,231,329
Interests accrued	5,372	10,853
Less: Allowances for impairment losses	(26,944)	(186,416)
Total	20,938,491	16,074,856

19 Placements with banks and other financial institutions

Analysed by type and location of counterparty:

	31 December	
	2023	2022
Placements in Mainland China		
– Banks	–	694,440
– Other financial institutions	12,190,000	16,550,000
Sub-total	12,190,000	17,244,440
Placements outside Mainland China		
– Banks	–	829,162
Sub-total	–	829,162
Interests accrued	236,648	368,549
Less: Allowances for impairment losses	(73,040)	(108,215)
Total	12,353,608	18,333,936

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Derivative financial instruments

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments mainly including forwards, swaps and option contracts.

The notional amount of a derivative represents the amount of the underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

The notional amount and fair value of unexpired derivative financial instruments held by the Group are set out in the following tables:

	31 December 2023		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	248,318,596	14,753	(4,386)
Exchange rate swaps	79,142,406	726,267	(501,555)
Exchange rate forwards	43,718,277	578,565	(473,145)
Precious metal swaps	4,845,954	218,193	–
Option contracts	1,132,332	13,403	(11,526)
Total	377,157,565	1,551,181	(990,612)

	31 December 2022		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	203,353,923	34,495	(32,018)
Exchange rate swaps	34,618,545	635,722	(202,165)
Exchange rate forwards	52,699,856	471,433	(371,794)
Precious metal swaps	3,319,785	69,866	(7,196)
Total	293,992,109	1,211,516	(613,173)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Financial assets held under resale agreements

(a) Analysed by type and location of counterparty

	31 December	
	2023	2022
Financial assets held under resale agreements in Mainland China		
– Banks	1,500,000	–
– Other financial institutions	5,035,008	–
Sub-total	6,535,008	–
Interests accrued	1,337	–
Less: Allowances for impairment losses	(3,792)	–
Total	6,532,553	–

(b) Analysed by asset types

	31 December	
	2023	2022
Bonds	6,535,008	–
Interests accrued	1,337	–
Less: Allowances for impairment losses	(3,792)	–
Total	6,532,553	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Loans and advances to customers

(a) Analysed by nature

	31 December	
	2023	2022
Loans and advances to customers measured at amortised cost:		
Corporate loans and advances	560,250,481	533,436,950
Personal loans		
– Residential and commercial housing loans	159,565,607	179,624,947
– Personal consumption loans	75,937,149	104,693,328
– Personal business loans	37,240,631	52,217,381
Sub-total	272,743,387	336,535,656
Interests accrued	12,350,216	9,338,023
Less: Allowances for loans and advances to customers measured at amortised cost	(24,599,802)	(23,831,785)
Sub-total	820,744,282	855,478,844
Loans and advances to customers measured at fair value through other comprehensive income:		
Corporate loans and advances	90,367	–
Discounted bills	93,160,915	85,532,135
Loans and advances to customers measured at fair value through profit or loss:		
Corporate loans and advances	6,399,285	1,712,237
Net loans and advances to customers	920,394,849	942,723,216

As at 31 December 2023, the balance of allowances for loans and advances to customers measured at fair value through other comprehensive income amounted to RMB1,387 million (31 December 2022: RMB1,538 million), as described in Note 22 (f).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Loans and advances to customers *(Continued)*

(b) Loans and advances to customers (excluding interests accrued) analysed by industry sector

	31 December 2023		
	Amount	Percentage	Loans and advances secured by collaterals
Leasing and commercial services	212,756,214	22.81%	46,942,048
Real estate	88,361,622	9.47%	61,460,520
Manufacturing	85,434,345	9.16%	41,691,007
Water conservancy, environment and public facilities management	59,722,557	6.40%	6,067,049
Wholesale and retail	38,121,599	4.09%	11,829,485
Construction	25,489,080	2.73%	11,245,081
Transportations, storage and post	10,911,221	1.17%	3,686,501
Production and supply of electricity, heat, gas and water	10,633,994	1.14%	740,855
Finance	9,551,052	1.02%	3,203,750
Mining	7,488,413	0.80%	520,650
Information transmission, software and IT services	4,376,658	0.47%	642,623
Agriculture, forestry, animal husbandry and fishery	3,734,751	0.40%	956,089
Education	2,799,681	0.30%	1,560,240
Others	7,358,946	0.81%	1,502,568
Sub-total of corporate loans and advances	566,740,133	60.77%	192,048,466
Personal loans	272,743,387	29.24%	179,325,313
Discounted bills	93,160,915	9.99%	93,160,915
Gross loans and advances to customers	932,644,435	100.00%	464,534,694

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Loans and advances to customers *(Continued)*

(b) Loans and advances to customers (excluding interests accrued) analysed by industry sector *(Continued)*

	31 December 2022		
	Amount	Percentage	Loans and advances secured by collaterals
Leasing and commercial services	187,018,161	19.54%	38,997,806
Real estate	92,621,820	9.68%	64,588,110
Manufacturing	82,907,974	8.66%	42,923,287
Water conservancy, environment and public facilities management	60,278,167	6.30%	7,758,514
Wholesale and retail	35,853,747	3.75%	14,229,236
Construction	25,013,619	2.61%	13,398,839
Transportations, storage and post	12,309,380	1.29%	4,093,275
Production and supply of electricity, heat, gas and water	10,304,895	1.08%	861,100
Finance	7,355,225	0.77%	685,350
Mining	7,873,478	0.82%	83,490
Information transmission, software and IT services	2,103,520	0.22%	666,366
Agriculture, forestry, animal husbandry and fishery	3,242,134	0.34%	779,770
Education	1,644,387	0.17%	531,576
Others	6,622,680	0.67%	2,004,920
Sub-total of corporate loans and advances	535,149,187	55.90%	191,601,639
Personal loans	336,535,656	35.16%	197,361,044
Discounted bills	85,532,135	8.94%	85,532,135
Gross loans and advances to customers	957,216,978	100.00%	474,494,818

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Loans and advances to customers *(Continued)*

(c) Analysed by geographical sector (excluding interests accrued)

31 December 2023			
	Amount	Percentage	Loans and advances secured by collaterals
Northern and Northeastern China	431,885,105	46.31%	207,904,141
Eastern China	217,892,309	23.36%	98,384,941
Central and Southern China	205,393,575	22.02%	118,399,337
Western China	77,473,446	8.31%	39,846,275
Gross loans and advances to customers	932,644,435	100.00%	464,534,694

31 December 2022			
	Amount	Percentage	Loans and advances secured by collaterals
Northern and Northeastern China	426,563,367	44.57%	182,666,759
Eastern China	222,939,866	23.29%	115,582,945
Central and Southern China	224,585,557	23.46%	135,345,749
Western China	83,128,188	8.68%	40,899,365
Gross loans and advances to customers	957,216,978	100.00%	474,494,818

The geographical areas are categorised as follows:

Northern and Northeastern China includes Head Office, Beijing Branch, Tianjin Branch, Binhai Branch, Tianjin Pilot Free Trade Zone Branch, Dalian Branch, Hohhot Branch, Taiyuan Branch, Shijiazhuang Branch, Changchun Branch and Shenyang Branch.

Eastern China includes Nanjing Branch, Hangzhou Branch, Jinan Branch, Shanghai Branch, Shanghai Pilot Free Trade Zone Branch, Hefei Branch, Suzhou Branch, Qingdao Branch, Ningbo Branch and Nanchang Branch.

Central and Southern China includes Guangzhou Branch, Shenzhen Branch, Shenzhen Qianhai Branch, Hong Kong Branch, Changsha Branch, Wuhan Branch, Fuzhou Branch, Zhengzhou Branch, Xiamen Pilot Free Trade Zone Branch, Haikou Branch and Nanning Branch.

Western China includes Chengdu Branch, Xi'an Branch, Chongqing Branch, Guiyang Branch and Kunming Branch.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Loans and advances to customers *(Continued)*

(d) Analysed by type of collateral (excluding interests accrued)

	31 December	
	2023	2022
Unsecured loans	176,176,636	186,985,421
Guaranteed loans	291,933,105	295,736,739
Collateralised loans	287,431,539	307,784,561
Pledged loans	177,103,155	166,710,257
Gross loans and advances to customers	932,644,435	957,216,978

(e) Overdue loans analysed by overdue period (excluding interests accrued)

	31 December 2023				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	2,793,094	2,443,061	1,097,366	290,053	6,623,574
Guaranteed loans	4,267,500	1,047,927	2,511,038	683,995	8,510,460
Collateralised loans	4,210,238	1,866,499	3,876,410	930,793	10,883,940
Pledged loans	1,786,568	97,639	265,731	719,410	2,869,348
Total	13,057,400	5,455,126	7,750,545	2,624,251	28,887,322
As a percentage of gross loans and advances to customers	1.40%	0.59%	0.83%	0.28%	3.10%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Loans and advances to customers *(Continued)*

(e) Overdue loans analysed by overdue period (excluding interests accrued)

(Continued)

	31 December 2022				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	3,962,900	2,446,864	2,097,070	140,669	8,647,503
Guaranteed loans	4,415,882	992,612	2,432,171	727,104	8,567,769
Collateralised loans	3,367,552	1,007,064	2,561,508	953,305	7,889,429
Pledged loans	472,008	97,712	928,843	47,209	1,545,772
Total	12,218,342	4,544,252	8,019,592	1,868,287	26,650,473

As a percentage of gross loans and
advances to customers

1.28%	0.47%	0.84%	0.20%	2.79%
-------	-------	-------	-------	-------

Overdue loans represent loans of which the whole or part of the principal or interest were overdue for one day or more.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Loans and advances to customers *(Continued)*

(f) Movements of allowance for impairment losses

(i) *Movements of allowance for impairment losses of loans and advances to customers measured at amortised cost:*

	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	6,876,826	7,063,246	9,891,713	23,831,785
Transferred:				
– to Stage 1	11,324	(11,324)	–	–
– to Stage 2	(821,156)	833,874	(12,718)	–
– to Stage 3	(41,057)	(4,493,832)	4,534,889	–
(Reversal)/charge for the year	(383,488)	3,649,373	3,678,144	6,944,029
Recoveries	–	–	622,009	622,009
Write-offs	–	–	(6,803,049)	(6,803,049)
Exchange rate changes and others	4,815	–	213	5,028
As at 31 December	5,647,264	7,041,337	11,911,201	24,599,802

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	7,834,624	4,893,154	10,016,933	22,744,711
Transferred:				
– to Stage 1	153,371	(149,697)	(3,674)	–
– to Stage 2	(522,813)	522,813	–	–
– to Stage 3	(19,415)	(659,719)	679,134	–
(Reversal)/charge for the year	(582,959)	2,456,695	4,799,384	6,673,120
Transfer out	–	–	(642,147)	(642,147)
Recoveries	–	–	256,775	256,775
Write-offs	–	–	(5,220,329)	(5,220,329)
Exchange rate changes and others	14,018	–	5,637	19,655
As at 31 December	6,876,826	7,063,246	9,891,713	23,831,785

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Loans and advances to customers *(Continued)*

(f) Movements of allowance for impairment losses *(Continued)*

(ii) Movements of allowance for impairment of loans and advances to customers measured at fair value through other comprehensive income:

	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	67,791	–	1,470,341	1,538,132
Transferred:				
– to Stage 3	(94)	–	94	–
Reversal for the year	(48,850)	–	(102,445)	(151,295)
As at 31 December	18,847	–	1,367,990	1,386,837

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	87,437	–	–	87,437
Transferred:				
– to Stage 3	(4,087)	–	4,087	–
(Reversal)/charge for the year	(15,559)	–	1,466,254	1,450,695
As at 31 December	67,791	–	1,470,341	1,538,132

Carrying amount of loans and advances to customers measured at fair value through other comprehensive income is measured at fair value, allowance for impairment losses on loans and advances to customers measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of loans and advances to customers presented in the consolidated statements of financial position, and charge or reversal of impairment loss is recognised in the profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

23 Financial investments

	Notes	31 December	
		2023	2022
Financial investments measured at fair value through profit or loss	(a)	161,057,566	120,542,087
Financial investments measured at fair value through other comprehensive income	(b)	117,150,761	101,487,369
Financial investments measured at amortised cost	(c)	354,928,465	322,504,367
Total		633,136,792	544,533,823

(a) Financial investments measured at fair value through profit or loss

Financial investments held for trading:

	31 December	
	2023	2022
Debt securities – Unlisted (i)		
– Government and central banks	5,214,874	1,046,144
– Policy banks	7,247,937	3,180,539
– Commercial banks and other financial institutions	–	50,459
– Corporates	11,386,929	7,625,284
Sub-total	23,849,740	11,902,426
Interbank deposits – Unlisted	2,785,896	2,393,073
Total financial investments held for trading	26,635,636	14,295,499

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

23 Financial investments *(Continued)*

(a) Financial investments measured at fair value through profit or loss *(Continued)*

Other financial investments classified as measured at fair value through profit or loss:

	31 December	
	2023	2022
Fund Investments – Unlisted	54,704,396	64,085,548
Equity investments		
– Listed outside Hong Kong	448,210	471,167
– Unlisted	3,573,305	3,504,155
Trust plans and asset management plans – Unlisted	75,696,019	38,185,718
Total other financial investments classified as measured at fair value through profit or loss	134,421,930	106,246,588
Total financial investments classified as measured at fair value through profit or loss	161,057,566	120,542,087

Note:

- (i) As at 31 December 2023 and 2022, certain financial investments measured at fair value through profit or loss were pledged for borrowings from the central bank and financial assets sold under repurchase agreements (Note 51 (e)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

23 Financial investments *(Continued)*

(b) Financial investments measured at fair value through other comprehensive income

	31 December	
	2023	2022
Debt securities – Unlisted (i)		
– Government	43,615,076	50,286,384
– Policy banks	40,705,250	36,424,630
– Commercial banks and other financial institutions	11,291,502	10,422,032
– Corporates	15,585,820	5,975
Interests accrued	949,850	1,146,008
Sub-total	112,147,498	98,285,029
Interbank deposits – Unlisted	1,726,226	137,907
Interests accrued	14,299	–
Sub-total	1,740,525	137,907
Equity investments – Unlisted (ii)	3,262,738	3,064,433
Total	117,150,761	101,487,369

Notes:

- (i) As at 31 December 2023 and 2022, certain financial investments measured at fair value through other comprehensive income were pledged for borrowings from the central bank and financial assets sold under repurchase agreements (Note 51 (e)).
- (ii) Dividends income from equity investments designated as fair value through other comprehensive income for the year ended 31 December 2023 was RMB34.8 million (for the year ended 31 December 2022: RMB48.0 million), which was included in the profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

23 Financial investments (Continued)

(b) Financial investments measured at fair value through other comprehensive income (Continued)

Movements of allowance for impairment losses of financial investments measured at fair value through other comprehensive income are as follows:

	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	122,651	–	10,000	132,651
Charge for the year	26,166	–	–	26,166
Exchange rate changes and others	(12)	–	–	(12)
As at 31 December	148,805	–	10,000	158,805

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	76,558	–	10,000	86,558
Charge for the year	46,096	–	–	46,096
Exchange rate changes and others	(3)	–	–	(3)
As at 31 December	122,651	–	10,000	132,651

Carrying amount of financial investments measured at fair value through other comprehensive income is measured at fair value, allowance for impairment on financial investments measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of loans and advances to customers presented in the consolidated statements of financial position, and charge or reversal of impairment loss is recognised in the profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

23 Financial investments *(Continued)*

(c) Financial investments measured at amortised cost

	31 December	
	2023	2022
Debt securities – Unlisted (i)		
– Government and central banks	111,121,973	98,335,046
– Policy banks	76,429,913	63,788,989
– Banks and other financial institutions	8,536,702	3,568,534
– Corporates	54,248,456	34,124,562
Interests accrued	3,366,113	2,857,510
Sub-total	253,703,157	202,674,641
Interbank deposits – Unlisted	142,242	1,956,247
Interests accrued	907	7,065
Sub-total	143,149	1,963,312
Trust plans and asset management plans – Unlisted	108,146,981	125,598,008
Interests accrued	1,651,777	2,334,232
Sub-total	109,798,758	127,932,240
Less: Allowances for impairment losses	(8,716,599)	(10,065,826)
Total	354,928,465	322,504,367

Note:

- (i) As at 31 December 2023 and 2022, certain financial investments measured at amortised cost were pledged for borrowings from the central bank and financial assets sold under repurchase agreements (Note 51 (e)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

23 Financial investments *(Continued)*

(c) Financial investments measured at amortised cost *(Continued)*

Movements of allowances for impairment losses of financial investments measured at amortised cost are as follows:

Year ended 31 December 2023				
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	928,829	3,117,392	6,019,605	10,065,826
Transferred:				
– to Stage 1	50,710	–	(50,710)	–
– to Stage 2	(145,282)	145,282	–	–
– to Stage 3	–	(2,403,561)	2,403,561	–
(Reversal)/charge for the year	(68,620)	(131,461)	317,743	117,662
Transfer out	–	–	(1,473,736)	(1,473,736)
Exchange rate changes and others	6,847	–	–	6,847
As at 31 December	772,484	727,652	7,216,463	8,716,599

Year ended 31 December 2022				
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	742,018	5,051,135	5,762,126	11,555,279
Transferred:				
– to Stage 2	(118,262)	118,262	–	–
– to Stage 3	(24,541)	(2,401,803)	2,426,344	–
Charge/(reversal) for the year	313,039	349,798	(405,042)	257,795
Transfer out	–	–	(1,763,823)	(1,763,823)
Exchange rate changes and others	16,575	–	–	16,575
As at 31 December	928,829	3,117,392	6,019,605	10,065,826

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

24 Investment in subsidiary

	31 December	
	2023	2022
CBHB Wealth Management Co., Ltd.	2,000,000	2,000,000

Details of the subsidiary are as follows:

Name	Date of incorporation/ establishment	Place of incorporation/ registration	Legal form	Paid-in capital	Percentage of equity interest/ voting rights	Business scope
CBHB Wealth Management Co., Ltd	6 September 2022	Tianjin, China	Limited liability company	RMB2 billion	100%	Wealth management

25 Investment in associate

	31 December	
	2023	2022
Investment in associate	-	-

The Group invested in Hawtai Motor Finance Co., Ltd. (“Hawtai”) in 2015, and the proportion of equity interest in the investment and the proportion of voting rights are both 10%. The Group accounts for its investment in Hawtai under the equity method. As at 31 December 2023 and 2022, accumulated losses of Hawtai assumed by the Group in proportion to equity interest in the investment exceeded the Group’s share of the equity interest, and as the Group had no obligation to assume additional losses, the carrying amount of the Group’s investment in the associate reduced to RMB0.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

26 Property and equipment

	Premises	Leasehold improvements	Operating equipment	Motor vehicles	Construction in progress	Total
Cost						
As at 1 January 2022	3,875,984	891,927	1,650,882	87,179	394,535	6,900,507
Additions	–	166,452	294,576	5,839	206,428	673,295
Transfers	–	–	38,203	–	(38,203)	–
Disposals	–	(5,180)	(30,032)	(5,988)	–	(41,200)
Foreign currency translation differences	–	1,146	1,637	57	–	2,840
As at 31 December 2022	3,875,984	1,054,345	1,955,266	87,087	562,760	7,535,442
As at 1 January 2023	3,875,984	1,054,345	1,955,266	87,087	562,760	7,535,442
Additions	–	186,143	235,169	1,622	6,033	428,967
Disposals	–	(15,105)	(121,174)	(1,637)	–	(137,916)
Foreign currency translation differences	–	301	451	15	–	767
As at 31 December 2023	3,875,984	1,225,684	2,069,712	87,087	568,793	7,827,260
Accumulated depreciation						
As at 1 January 2022	(1,355,988)	(718,027)	(1,171,146)	(69,442)	–	(3,314,603)
Charged for the year	(185,892)	(115,659)	(208,530)	(5,642)	–	(515,723)
Eliminated on disposals	–	3,875	28,820	4,932	–	37,627
Foreign currency translation differences	–	(1,146)	(1,076)	(54)	–	(2,276)
As at 31 December 2022	(1,541,880)	(830,957)	(1,351,932)	(70,206)	–	(3,794,975)
As at 1 January 2023	(1,541,880)	(830,957)	(1,351,932)	(70,206)	–	(3,794,975)
Charged for the year	(185,892)	(154,919)	(234,005)	(4,695)	–	(579,511)
Eliminated on disposals	–	15,071	118,377	1,082	–	134,530
Foreign currency translation differences	–	(301)	(316)	(14)	–	(631)
As at 31 December 2023	(1,727,772)	(971,106)	(1,467,876)	(73,833)	–	(4,240,587)
Net book value						
As at 31 December 2022	2,334,104	223,388	603,334	16,881	562,760	3,740,467
As at 31 December 2023	2,148,212	254,578	601,836	13,254	568,793	3,586,673

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

27 Deferred tax assets

(a) Analysed by nature

	31 December 2023		31 December 2022	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Allowances for impairment losses	50,416,549	12,604,137	43,066,555	10,766,639
– Fair value changes	6,367,496	1,591,874	6,255,915	1,563,979
– Accrued salary cost	4,605,800	1,151,450	4,843,729	1,210,932
– Provisions	377,997	94,499	477,053	119,263
– Others	5,108,093	1,277,024	515,710	128,927
	66,875,935	16,718,984	55,158,962	13,789,740
Deferred tax liabilities				
– Fair value changes	(3,484,058)	(871,015)	(2,366,625)	(591,656)
– Others	(4,355,675)	(1,088,918)	(371,495)	(92,873)
	(7,839,733)	(1,959,933)	(2,738,120)	(684,529)
Net amount	59,036,202	14,759,051	52,420,842	13,105,211

(b) Movements of deferred tax

	Allowances for impairment losses	Net (gains)/ losses from fair value changes	Others	Net balance of deferred tax assets
As at 1 January 2022	9,142,384	420,524	1,360,448	10,923,356
Recognised in profit or loss	1,624,255	108,233	5,801	1,738,289
Recognised in other comprehensive income	–	443,566	–	443,566
31 December 2022	10,766,639	972,323	1,366,249	13,105,211
Recognised in profit or loss	1,805,945	(113,446)	67,806	1,760,305
Recognised in other comprehensive income	31,553	(138,018)	–	(106,465)
31 December 2023	12,604,137	720,859	1,434,055	14,759,051

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

28 Right-of-use assets

	Premises	Others	Total
Cost			
As at 1 January 2022	6,220,484	15,177	6,235,661
Additions	1,158,393	1,121	1,159,514
Disposals	(314,035)	(1,471)	(315,506)
Foreign currency translation difference	4,200	8	4,208
As at 31 December 2022	7,069,042	14,835	7,083,877
As at 1 January 2023	7,069,042	14,835	7,083,877
Additions	918,570	321	918,891
Disposals	(641,077)	(1,605)	(642,682)
Foreign currency translation difference	2,299	14	2,313
As at 31 December 2023	7,348,834	13,565	7,362,399
Accumulated depreciation			
As at 1 January 2022	(2,308,758)	(5,201)	(2,313,959)
Charged for the year	(1,021,209)	(2,148)	(1,023,357)
Eliminated on disposals	279,893	1,397	281,290
Foreign currency translation difference	(2,957)	(5)	(2,962)
As at 31 December 2022	(3,053,031)	(5,957)	(3,058,988)
As at 1 January 2023	(3,053,031)	(5,957)	(3,058,988)
Charged for the year	(1,053,472)	(2,276)	(1,055,748)
Eliminated on disposals	639,442	854	640,296
Foreign currency translation difference	(1,187)	(2)	(1,189)
As at 31 December 2023	(3,468,248)	(7,381)	(3,475,629)
Net book value			
As at 31 December 2022	4,016,011	8,878	4,024,889
As at 31 December 2023	3,880,586	6,184	3,886,770

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

29 Other assets

	Notes	31 December	
		2023	2022
Settlement receivable		4,656,690	161,053
Interest receivable	(a)	3,327,508	3,177,740
Guarantee deposits		951,635	156,676
Land use rights		385,261	399,986
Fees and commission receivable		321,011	275,383
Prepayments		194,162	294,550
Intangible assets		291,186	232,534
Others		2,776,355	2,693,528
Sub-total		12,903,808	7,391,450
Less: Allowances for impairment losses	(b)	(804,119)	(73,646)
Total		12,099,689	7,317,804

(a) Interest receivable

	31 December	
	2023	2022
Interest receivable arising from:		
Loans and advances to customers	953,664	324,694
Financial investments	2,373,844	2,853,046
Total	3,327,508	3,177,740

As at 31 December 2023 and 2022, interest receivable only includes interest that has been due for the relevant financial instruments but not yet received. Interest on financial instruments based on the effective interest method has been reflected in the balance of corresponding financial instruments.

(b) Movements of allowance for impairment losses of other assets are as follows:

	2023	2022
As at 1 January	73,646	–
Charge for the year	2,318,893	672,707
Write-offs and transfer out	(1,588,420)	(599,061)
As at 31 December	804,119	73,646

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

30 Borrowings from the central bank

	31 December	
	2023	2022
Medium-term Lending Facility	129,300,000	114,300,000
Re-lending	2,718,000	2,095,000
Interests accrued	1,769,964	1,463,168
Total	133,787,964	117,858,168

31 Deposits from banks and other financial institutions

Analysed by type of and location of counterparty:

	31 December	
	2023	2022
Deposits in Mainland China		
– Banks	109,927,652	109,724,368
– Other financial institutions	46,179,514	68,070,508
Sub-total	156,107,166	177,794,876
Deposits outside Mainland China		
– Other financial institutions	1,470,781	1,954,566
Sub-total	1,470,781	1,954,566
Interests accrued	1,184,275	1,426,525
Total	158,762,222	181,175,967

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

32 Placements from banks and other financial institutions

Analysed by type and location of counterparty:

	31 December	
	2023	2022
Placements in Mainland China		
– Banks	18,790,215	9,320,174
Sub-total	18,790,215	9,320,174
Placements outside Mainland China		
– Banks	15,515,078	19,842,447
Sub-total	15,515,078	19,842,447
Interests accrued	614,719	272,205
Total	34,920,012	29,434,826

33 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparty:

	31 December	
	2023	2022
Placements in Mainland China		
– Banks	66,611,528	60,199,095
Sub-total	66,611,528	60,199,095
Interests accrued	22,725	24,626
Total	66,634,253	60,223,721

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

33 Financial assets sold under repurchase agreements *(Continued)*

(b) Analysed by type of collateral held

	31 December	
	2023	2022
Bonds	64,711,540	60,001,000
Acceptances	1,899,988	198,095
Sub-total	66,611,528	60,199,095
Interests accrued	22,725	24,626
Total	66,634,253	60,223,721

34 Deposits from customers

	31 December	
	2023	2022
Demand deposits		
– Corporate customers	219,169,451	174,481,455
– Individual customers	33,061,936	35,665,919
Sub-total	252,231,387	210,147,374
Time deposits		
– Corporate customers	346,997,589	363,621,211
– Individual customers	167,940,207	133,058,162
Sub-total	514,937,796	496,679,373
Pledged deposits		
– Acceptances	80,707,395	69,986,443
– Letters of credit and guarantees	32,807,576	30,018,666
– Letters of guarantees	2,343,512	5,819,685
– Others	31,914,101	30,927,282
Sub-total	147,772,584	136,752,076
Fiscal deposits	174,755	214,725
Inward and outward remittances	45,456	80,147
Interests accrued	19,431,901	20,060,333
Total	934,593,879	863,934,028

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

35 Debt securities issued

	Note	31 December	
		2023	2022
Interbank deposits issued	(a)	182,696,167	182,752,710
Financial bonds issued	(b)	69,974,686	77,971,751
Tier 2 capital bonds issued	(c)	8,990,975	8,990,092
Certificates of deposit issued	(d)	2,534,670	2,901,899
Medium term notes issued	(e)	2,132,192	2,080,296
Sub-total		266,328,690	274,696,748
Interests accrued		1,594,678	1,984,243
Total		267,923,368	276,680,991

Notes:

(a) Interbank deposits issued

For the year ended 31 December 2023, the Bank issued a number of certificates of interbank deposit with total nominal amount of RMB369,070 million with duration between 1 to 12 months. The effective interest rates ranged from 2.03% to 2.85% per annum. As at 31 December 2023, the balance of the above certificates of interbank deposits issued but not yet due was RMB182,696 million.

(b) Financial bonds issued

(i) On 25 July 2023, the Group issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 2.72%. As at 31 December 2023, the carrying amount of the financial bonds above was RMB9,995 million.

(ii) On 12 May 2023, the Group issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 2.88%. As at 31 December 2023, the carrying amount of the financial bonds above was RMB9,995 million.

(iii) On 1 December 2022, the Group issued three-year financial bonds with face value of RMB15,000 million. The coupon interest rate per annum is 2.95%. As at 31 December 2023, the carrying amount of the financial bonds above was RMB14,993 million.

(iv) On 22 February 2022, the Group issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 2.95%. As at 31 December 2023, the carrying amount of the financial bonds above was RMB9,997 million.

(v) On 26 April 2021, the Group issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 3.53%. As at 31 December 2023, the carrying amount of the financial bonds above was RMB9,998 million.

(vi) On 6 April 2021, the Group issued three-year financial bonds with face value of RMB15,000 million. The coupon interest rate per annum is 3.55%. As at 31 December 2023, the carrying amount of the financial bonds above was RMB14,997 million.

(c) Tier 2 capital bonds issued

On 15 January 2021, the Group issued ten-year fixed interest rate tier 2 capital bonds with face value of RMB9,000 million. The coupon interest rate per annum is 4.40%. According to the issuance terms, the Group has an option to redeem all the debts at face value on the last day of the fifth year. As at 31 December 2023, the carrying amount of the tier 2 capital bonds above was RMB8,991 million.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

35 Debt securities issued *(Continued)*

Notes: *(Continued)*

(d) Certificates of deposit issued

For the year ended 31 December 2023, the Bank issued a number of certificates of deposit with total face value of RMB4,843 million and duration between 1 to 12 months. The effective interest rates ranged from 2.80% to 6.32% per annum. As at 31 December 2023, the balance of the above certificates of deposit issued but not yet due was RMB2,535 million.

(e) Medium term notes issued

On 3 November 2021, the Hongkong branch issued three-year fixed interest rate medium term notes with face value of USD300 million. The coupon interest rate per annum is 1.50%. As at 31 December 2023, the fair value of the medium term notes issued was RMB2,132 million.

As at 31 December 2023 and 2022, there were no defaults of principal and interest or other breaches with respect to these bonds. None of the above bonds were secured.

36 Lease liabilities

	31 December	
	2023	2022
Less than one year (inclusive)	1,082,489	1,060,734
One to two years (inclusive)	853,174	929,425
Two to three years (inclusive)	701,097	722,313
Three to five years (inclusive)	998,086	1,027,635
More than five years	919,754	964,466
Total undiscounted lease liabilities	4,554,600	4,704,573
Lease liabilities	4,115,588	4,229,676

37 Other liabilities

	Note	31 December	
		2023	2022
Accrued staff cost	(a)	4,800,836	5,053,716
Payment and collection of clearance accounts		3,975,578	1,420,609
Settlement and clearing payable		3,947,952	5,306,376
Other taxes payable		857,298	840,974
Provisions	(b)	379,158	477,053
Contract liabilities	(c)	270,294	226,967
Others		1,522,990	907,684
Total		15,754,106	14,233,379

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Other liabilities (Continued)

(a) Accrued staff cost

	31 December	
	2023	2022
Salaries, bonuses and allowances payable	4,366,142	4,610,923
Pension and annuity payable	18,325	20,076
Other social insurance payable	6,718	6,872
Housing funds payable	5,883	9,258
Others	403,768	406,587
Total	4,800,836	5,053,716

(b) Provisions

	31 December	
	2023	2022
Provision for credit commitment losses	336,027	434,809
Expected litigation losses	42,244	42,244
Others	887	–
Total	379,158	477,053

Movements of provisions for credit commitment losses are as follows:

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	433,343	759	707	434,809
(Reversal)/charge for the year	(101,735)	92	1,071	(100,572)
Exchange rate changes and others	1,790	–	–	1,790
Balance at 31 December 2023	333,398	851	1,778	336,027

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	477,637	520	638	478,795
(Reversal)/charge for the year	(49,692)	239	69	(49,384)
Exchange rate changes and others	5,398	–	–	5,398
As at 31 December 2022	433,343	759	707	434,809

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Other liabilities (Continued)

(c) Contract liabilities

As at 31 December 2023 and 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts were approximately RMB270 million and RMB227 million, respectively. This amount represents income expected to be recognised in the future from agency, custody, guarantee and acceptance services. The Group will recognise the expected income in future as the services are provided.

38 Share capital

Issued share capital

Share capital of the Bank as at 31 December 2023 and 2022 represented share capital of the Bank, which was fully paid.

	31 December	
	2023	2022
Number of shares issued and fully paid at par value of RMB1 each (in thousand)	17,762,000	17,762,000

39 Other equity instruments

Undated capital bonds

(a) Outstanding undated capital bonds ("Bonds") at 31 December 2023

Financial Instrument outstanding	Conversion Issue date Status	Accounting classification	Initial interest rate	Issue price	Shares (million shares)	In RMB	Maturity date	Conversion conditions	Conversion Status
Undated capital bonds	11 September 2019	Equity instruments	4.75%	RMB100/Share	200	20,000,000	None	None	None
Total						20,000,000			
Less: Issue expenses						(38,396)			
Carrying amount						19,961,604			

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

39 Other equity instruments *(Continued)*

Undated capital bonds *(Continued)*

(b) Main clauses

(i) Issue size

The issue size of the Bonds during the period is RMB20 billion.

(ii) Term of the Bonds

The Bonds will continue to be outstanding so long as the Issuer's business continues to operate.

(iii) Coupon rate

The coupon rate of the Bonds will be adjusted at defined intervals, with a coupon rate adjustment period every 5 years since the payment settlement date. In any coupon rate adjusted period, the interest payments on the Bonds will be paid at a prescribed fixed coupon rate.

The coupon rate of the Bonds during the period includes a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of 5 trading days prior to the Announcement Date of the Subscription Agreement, as indicated by the yield to maturity curve of applicable 5-year China government Notes (rounded to 0.01%) published on www.ChinaBond.com.cn (or other websites approved by the China Central Depository & Clearing Co., Ltd.). The fixed spread is the difference between the coupon rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

The Bonds will not have any elevation in interest rates nor any other incentive to redeem.

(iv) Conditional redemption rights of the issuer

The Bonds issuance sets conditional redemption rights for the issuer. From the fifth anniversary since the issuance of the Bonds, the issuer may redeem the Bonds in whole or in part on each interest payment date (including the fifth interest payment date since the issuance). If, after the issuance, the Bonds no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the issuer may redeem all but not part of the Bonds.

(v) Subordination

The claims in respect of the Bonds, in the event of the liquidation of the issuer, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that rank senior to the Bonds; shall rank in priority to all classes of shares held by the issuer's shareholders and rank pari passu with the claims in respect of any other Additional Tier 1 Capital instruments of the issuer that rank pari passu with the Bonds.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

39 Other equity instruments *(Continued)*

Undated capital bonds *(Continued)*

(b) Main clauses (Continued)

(vi) Interest payment

The interest of the Bonds will be payable annually. The interest payment date of the Bonds shall be 16 September of each year. The issuer shall have the right to cancel, in whole or in part, interests on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the issuer will take into full consideration the interest of the Bonds' holders. The issuer may, at its sole discretion, use the proceeds from the cancelled interests to meet other obligations as they fall due. Cancellation of any interests on the Bonds, no matter in whole or in part, will not impose any other restriction on the issuer, except in relation to dividend distributions to ordinary shares. Any cancellation of any distribution on the Bonds, no matter in whole or in part, will require the deliberation and approval of the general shareholders meeting. The Issuer shall give notice to the investors on such cancellation in a timely manner.

(vii) Resale

The holders of the Bonds do not have any option to sell back the Bonds to the issuer.

(viii) Write-down/write-off clauses

Upon the occurrence of an Additional Tier 1 Capital Trigger Event, namely, the issuer's Core Tier 1 Capital Adequacy Ratio having fallen to 5.125% (or below), the issuer has the right, subject to the approval of the National Administration of Financial Regulation ("NAFR") but without the need for the consent of the Bond holders, to write down all or part of the aggregate amount of the Bonds then issued but not yet due, in order to restore the Core Tier 1 Capital Adequacy Ratio to above 5.125%. In the case of a partial write-down, all of the Bonds then issued but not yet due shall be written down on a prorata basis, according to the outstanding par value, with all other Additional Tier 1 Capital instruments with equivalent write-down clauses of the issuer. The Bonds may be subject to write-down more than once, in order to restore the Core Tier 1 Capital Adequacy Ratio of the issuer to above 5.125%.

Upon the occurrence of a Tier 2 Capital Trigger Event, the Issuer has the right to write off in whole, without the need for the consent of Bond holders, the aggregate principal amount of the Bonds then issued but not yet due according to the outstanding par value. A Tier 2 Capital Trigger Event refers to the earlier of the following events: (a) the NAFR having decided that the issuer would become non-viable without a write-off; (b) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the issuer would become non-viable. Upon write-off of the Bonds, such Bonds are to be permanently cancelled and will not be restored under any circumstances.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

40 Reserves

(a) Capital reserve

	31 December	
	2023	2022
Share premium	10,732,077	10,732,077

(b) Surplus reserve

Pursuant to the Company Law of the PRC and the Articles, the Group is required to appropriate 10% of its net profit in accordance with the Accounting Standards for Business Enterprises and other relevant regulations to the statutory surplus reserve until the balance reaches 50% of its registered capital.

(c) General reserve

Pursuant to the “Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20)” issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis. The Bank set aside a general reserve amounted to approximately RMB387 million as at 31 December 2023.

The Bank’s subsidiary accrues risk reserves in accordance with the “Measures for the Administration of Wealth Management Subsidiary Companies of Commercial Banks” until the balance of risk reserve reaches 1% of the balance of wealth management products.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

40 Reserves (Continued)

(d) Other reserves

	Years ended 31 December	
	2023	2022
Items that will not be reclassified to profit or loss:		
<i>Changes in fair value of equity instruments designated as at fair value through other comprehensive income</i>		
As at 1 January	(3,171,875)	(3,362,294)
Changes in fair value recognised in other comprehensive income	198,305	253,891
Less: Income tax effect	(49,576)	(63,472)
As at 31 December	(3,023,146)	(3,171,875)
Items that may be reclassified subsequently to profit or loss:		
<i>Changes in fair value of debt instruments measured at fair value through other comprehensive income</i>		
As at 1 January	(1,105,322)	416,217
Changes in fair value recognised in other comprehensive income	290,139	(1,856,457)
Changes in fair value transferred to profit or loss upon disposal	65,573	(172,120)
Less: Income tax effect	(88,442)	507,038
As at 31 December	(838,052)	(1,105,322)
<i>Credit losses of debt instruments measured at fair value through other comprehensive income</i>		
As at 1 January	1,253,110	130,496
Impairment losses recognised in other comprehensive income	(125,141)	1,496,791
Less: Income tax effect	31,553	(374,177)
As at 31 December	1,159,522	1,253,110
Total investment revaluation reserve	(2,701,676)	(3,024,087)
Foreign currency translation difference	(16,413)	(14,766)
Total	(2,718,089)	(3,038,853)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

41 Appropriation of profits

Dividend on ordinary shares

In accordance with the resolution at the Bank's Annual General Meeting on 18 May 2023, the Bank paid no dividend on ordinary shares for 2022.

In accordance with the resolution at the Bank's Annual General Meeting on 16 May 2022, the shareholders approved the declaration of cash dividend for 2021 in an aggregation amount of approximately RMB1,545 million to all existing ordinary equity holders.

Interests for undated capital bonds

The Bank declared and distributed the interest on the Undated Capital Bonds for year 2022 amounting to RMB950 million on 16 September 2023.

The Bank declared and distributed the interest on the Undated Capital Bonds for year 2021 amounting to RMB950 million on 16 September 2022.

42 Interests in structured entities that are not included in the consolidated financial statements

(a) The Group's interests in structured entities sponsored by third party institutions:

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include trust plans, asset management plans and funds issued by securities company or trust company. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third-party investors. These vehicles are financed through the issue of units to investors.

The following tables set out an analysis of the carrying amounts of interests held by the Group in structured entities that are not included in consolidated financial statements, as well as an analysis of the line items relevant to assets and liabilities in the Group's financial statements as at 31 December 2023 and 2022:

	31 December 2023				
	Financial investments measured at fair value through profit or loss	Financial investments measured at fair value through other comprehensive income	Financial investments measured at amortised cost	Total carrying amount	Maximum exposure
Trust plans and asset management plans	75,696,019	-	101,623,074	177,319,093	177,319,093
Equity investments	-	3,062,738	-	3,062,738	3,062,738
Funds	54,302,874	-	-	54,302,874	54,302,874
Total	129,998,893	3,062,738	101,623,074	234,684,705	234,684,705

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Interests in structured entities that are not included in the consolidated financial statements (Continued)

(a) The Group's interests in structured entities sponsored by third party institutions: (Continued)

	31 December 2022				
	Financial investments measured at fair value through profit or loss	Financial investments measured at fair value through other comprehensive income	Financial investments measured at amortised cost	Total carrying amount	Maximum exposure
Trust plans and asset management plans	38,185,718	–	118,362,124	156,547,842	156,547,842
Equity investments	–	2,864,433	–	2,864,433	2,864,433
Funds	64,085,548	–	–	64,085,548	64,085,548
Total	102,271,266	2,864,433	118,362,124	223,497,823	223,497,823

(b) Interests in structured entities that are sponsored by the Group but not included in the consolidated financial statements:

The types of structured entities that are sponsored by the Group but not included in the consolidated financial statements mainly include non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes fees charged by providing management services.

For the year ended 31 December 2023, the amount of fee and commission income from the abovementioned structured entities recognised by the Group amounted to RMB2,759 million (for the year ended 31 December 2022: RMB889 million).

As at 31 December 2023, the balances of non-principal-guaranteed wealth management products that are sponsored by the Group but not included in the consolidated financial statements of the Group were RMB150,050 million (as at 31 December 2022: RMB168,309 million).

(c) Unconsolidated structure entities sponsored by the Group during the year which the Group does not have an interest in as at 31 December:

For the year ended 31 December 2023, the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2023 but matured before 31 December 2023 was RMB18,000 million. For the year ended 31 December 2022, the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2022 but matured before 31 December 2022 was RMB87,121 million.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

43 Transferred financial assets

The Group enters into transactions in the normal course of business whereby it transfers recognised financial assets to third parties or to special purpose entities. In some cases these transfers may give rise to full or partial de-recognition of the financial assets concerned. In other cases where the transferred assets do not qualify for de-recognition as the Group retains substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

The Group enters into transactions by which it sells credit assets to special purpose trust and issues trust shares to investors through the special purpose trusts. The Group assessed among other factors, whether or not to derecognise the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished control over these assets.

For the year ended 31 December 2023, the Group did not transfer any financial assets. For the year ended 31 December 2022, the Group transferred loans and advances with gross amount of RMB734 million to independent third parties, and the transfer price was RMB640 million; transferred credit assets to special purpose trust and the amount at the time of transfer of the loans was RMB865 million. These financial assets were all qualified for full de-recognition.

44 Capital management

The Group implements a comprehensive capital management framework, covering the management of the regulated capital, economic capital and book capital, particularly the capital compliance management, capital planning, allocation and evaluation.

In setting its capital adequacy objective, the Group considers regulatory requirements, external rating objective and its own risk preference, so as to protect the interest of its customers and creditors, maximise the value of shareholders and meet all regulatory requirements on capital management.

The Group measures capital adequacy ratios in accordance with the "Regulation Governing Capital of Commercial Banks (Provisional)" promulgated by the former China Banking Regulatory Commission ("CBRC") and related regulatory requirements. In calculating its capital adequacy ratios, the Group considers all its domestic and overseas branches and sub-branches and financial institution subsidiary (excluding insurance companies).

The on-balance sheet risk-weighted assets are calculated using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. The credit risk weighted assets of counterparties in over-the-counter derivatives transactions are the sum of default risk weighted assets of counterparties and credit-adjusted risk-weighted assets. Market risk-weighted assets are measured using the standardised approach. Operational risk-weighted assets are measured using basic indicator approach.

The former CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and other relevant regulations. For domestic systemically important banks, minimum core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should reach 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, the minimum ratios for core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively. During the report disclosure period, the Group has complied in full with the capital requirements stipulated by the regulatory authorities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

44 Capital management (Continued)

The Group calculates its core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio in accordance with the former CBRC's "Regulation Governing Capital of Commercial Banks (Provisional)" and relevant requirements. The capital adequacy ratios and related data of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with China Accounting Standards.

The Group's capital adequacy ratios at 31 December 2023 and 2022 are as follows:

	31 December	
	2023	2022
Total core tier 1 capital		
– Share capital	17,762,000	17,762,000
– Qualifying portion of capital reserve	10,752,077	10,752,077
– Surplus reserve	7,828,688	7,342,356
– General risk reserve	20,678,511	20,245,453
– Retained earnings	40,137,910	36,926,397
– Other reserves	(2,718,089)	(3,038,853)
Core tier 1 capital	94,441,097	89,989,430
Core tier 1 capital deductions	(5,635,246)	(4,362,055)
Net core tier 1 capital	88,805,851	85,627,375
Other tier 1 capital	19,961,604	19,961,604
Net tier 1 capital	108,767,455	105,588,979
Tier 2 capital		
– Instruments issued and share premium	8,990,975	8,990,092
– Surplus provision for loan impairment	8,060,309	7,535,448
Tier 2 capital deductions	–	–
Net tier 2 capital	17,051,284	16,525,540
Net total capital	125,818,739	122,114,519
Total risk weighted assets	1,086,646,888	1,061,879,062
Core tier 1 capital adequacy ratio	8.17%	8.06%
Tier 1 capital adequacy ratio	10.01%	9.94%
Capital adequacy ratio	11.58%	11.50%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Notes to the cash flow statement

(a) Net change in cash and cash equivalents

	31 December	
	2023	2022
Cash and cash equivalents as at 31 December	67,382,604	63,085,206
Less: Cash and cash equivalents as at 1 January	63,085,206	76,843,021
Net increase/(decrease) in cash and cash equivalents	4,297,398	(13,757,815)

(b) Cash and cash equivalents

	31 December	
	2023	2022
Cash on hand	362,503	503,504
Deposits with central bank other than restricted deposits	39,725,030	45,085,427
Deposits with banks and other financial institutions (Original maturity within 3 months)	20,760,063	15,842,673
Placements with banks and other financial institutions (Original maturity within 3 months)	–	1,653,602
Financial assets held under resale agreements (Original maturity within 3 months)	6,535,008	–
Total	67,382,604	63,085,206

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

46 Related parties

Related parties of the Bank

(a) The Bank's major shareholders

Major shareholders include shareholders of the Bank with direct or indirect 5% or above shareholding, or with the right to appoint a director in the Bank.

Shareholding in the Bank:

	31 December	
	2023	2022
TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司)	20.34%	20.34%
Standard Chartered Bank (Hong Kong) Limited (渣打銀行(香港)有限公司)	16.26%	16.26%
China Shipping Investment Co., Ltd. (中海集團投資有限公司)	11.12%	11.12%
State Development & Investment Corp., Ltd. (國家開發投資集團有限公司)	9.49%	9.49%
China Baowu Steel Group Corporation Limited (中國寶武鋼鐵集團有限公司)	9.49%	9.49%
Oceanwide Industry Co., Ltd. (泛海實業股份有限公司)	7.72%	7.72%
Tianjin Shanghui Investment Holding Company Limited (天津商匯投資(控股)有限公司)	6.51%	6.51%

(b) Subsidiary of the Bank

The detailed information of the Bank's subsidiary is set out in Note 24.

(c) Associate of the Bank

The detailed information of the Bank's associate is set out in Note 25.

(d) Other related parties

Other related parties can be natural person or legal person, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; entities (and their subsidiary) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 46 (a) or their controlling shareholders.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

46 Related parties *(Continued)*

Related party transactions

(a) Pricing policy

Transactions between the Group and related parties are conducted in the normal course of its business and under normal commercial terms. The pricing policies are no more favourable than those offered to independent third parties.

(b) Transactions with related parties other than key management personnel

(i) Transactions with major shareholders:

	Years ended 31 December	
	2023	2022
Transactions during the year		
Interest income	220,692	226,935
Fee and commission income	1,799	–
Interest expenses	72	12
Operating expenses	26,033	879
	31 December	
	2023	2022
Balances at the end of the year		
Deposits with banks and other financial institutions	217,406	329,271
Loans and advances to customers	3,416,489	3,435,997
Deposits from customers	51,371	909
Lease liabilities	35,271	55,488

(ii) Transactions with subsidiary:

	Years ended 31 December	
	2023	2022
Transactions during the year		
Interest expense	29,315	40,200
Fee and commission expenses	269,137	–
	31 December	
	2023	2022
Balances at end of the year		
Deposits from banks and other financial institutions	240,453	2,040,200
Other assets	–	27,552

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

46 Related parties (Continued)

Related party transactions (Continued)

(b) Transactions with related parties other than key management personnel (Continued)

(iii) Transactions with associate:

	Years ended 31 December	
	2023	2022
Transactions during the year		
Interest expenses	35	35

	31 December	
	2023	2022
Balances at end of the year		
Deposits from banks and other financial institutions	4,347	4,308

(iv) Transactions with other related parties:

	Years ended 31 December	
	2023	2022
Transactions during the year		
Interest income	881,783	674,245
Fee and commission income	77,670	46,833
Net gains of investment securities	394	396
Interest expense	581,049	615,718
Operating expense	68,655	19,440

	31 December	
	2023	2022
Balances at end of the year		
Deposits with banks and other financial institutions	7,263,694	3,720,813
Derivative financial assets	398	220
Loans and advances to customers	15,608,271	11,182,431
Financial investment	2,798,470	2,482,700
Deposits from banks and other financial institutions	7,705,275	26,254,659
Derivative financial liabilities	2,577	3,230
Deposits from customers	5,348,933	1,925,303
Debt securities issued	1,002,823	3,306,630
Lease liabilities	178,583	170,755
Off-balance sheet item		
Derivative financial instruments-notional amount	440,000	2,427,621
Bank acceptances	430,848	321,881
Letters of guarantees	48,211	46,535
Letters of credit	952,761	258,295

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

46 Related parties *(Continued)*

Related party transactions *(Continued)*

(c) Key management personnel

The key management personnel are those persons who have the authority to plan, direct and control the activities of the Bank, directly or indirectly, including members of the board of directors, the board of supervisors and executive officers.

(i) Transactions with key management personnel:

	Years ended 31 December	
	2023	2022
Transactions during the year		
Interest income	2	1
Interest expense	48	35

	31 December	
	2023	2022
Balances at end of the year		
Loans and advances to customers	26	61
Deposits from customers	4,533	4,168

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	Years ended 31 December	
	2023	2022
Key management personnel compensation	17,213	18,115

(d) Loans and advances to directors, supervisors and officers

	31 December	
	2023	2022
Aggregate amount of relevant loans outstanding at the end of the year	26	61
Maximum aggregate amount of relevant loans outstanding during the year	26	61

There was no amount due but unrepaid as at 31 December 2023 and 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

47 Segment reporting

(a) Operating segment

The Group manages its business by business lines. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade financing, deposit taking activities, agency services, wealth management services, consulting and advisory services, remittance and settlement services and guarantee services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans, deposit taking activities, personal wealth management services and remittance services.

Financial market business

This segment covers the Group's treasury business operations. The financial markets business enters into inter-bank money market transactions, repurchases transactions, and investments, etc. It also trades in debt securities. The financial markets business segment also covers management of the Group's overall liquidity position, including the issuance of debts.

Others

These represent assets, liabilities, income and expenses which cannot directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Intra-group balances and intra-group transactions are eliminated by segment income, expenses, assets and liabilities as part of the consolidation process. Segment capital expenditure is the total cost incurred during the years ended 31 December 2023 and 31 December 2022 to acquire property and equipment, intangible assets and other long-term assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

47 Segment reporting (Continued)

(a) Operating segment (Continued)

	Year ended 31 December 2022				
	Corporate banking	Retail banking	Financial market business	Others	Total
Operating income					
External net interest income/(expenses)	9,130,494	16,809,139	(3,271,094)	–	22,668,539
Internal net interest income/(expenses)	2,905,573	(7,118,466)	4,212,893	–	–
Net interest income	12,036,067	9,690,673	941,799	–	22,668,539
Net fee and commission income/(expenses)	2,101,930	(88,774)	555,657	409	2,569,222
Net trading gains/(losses)	249,632	46,201	(520,376)	–	(224,543)
Net gains on financial investments	235,470	731	1,102,393	48,000	1,386,594
Other operating income	8,053	–	–	57,355	65,408
Operating income	14,631,152	9,648,831	2,079,473	105,764	26,465,220
Operating expenses	(5,188,775)	(4,659,844)	(818,284)	(233,984)	(10,900,887)
Impairment losses on assets	(7,452,631)	(1,565,897)	(34,351)	–	(9,052,879)
Profit/(loss) before taxation	1,989,746	3,423,090	1,226,838	(128,220)	6,511,454
Other segment information					
– Depreciation and amortisation	638,914	711,066	72,373	206,145	1,628,498
– Capital expenditure	309,430	344,373	43,154	99,837	796,794
	31 December 2022				
	Corporate banking	Retail banking	Financial market business	Others	Total
Segment assets	806,072,805	352,253,744	473,088,596	14,939,546	1,646,354,691
Deferred tax assets					13,105,211
Total assets					1,659,459,902
Segment liabilities	769,772,700	175,686,164	594,827,740	9,222,264	1,549,508,868
Total liabilities					1,549,508,868
Credit commitment	326,071,164	15,507,356	–	–	341,578,520

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

47 Segment reporting *(Continued)*

(b) Geographical segment

Geographically, the Group mainly conducts its business in the four areas listed below in Mainland China, as described in Note 22 (c).

	Year ended 31 December 2023					
	Northern and Northeastern China	Eastern China	Central and Southern China	Western China	Elimination	Total
Operating income						
External net interest income	8,474,187	3,544,519	3,678,062	1,949,221	-	17,645,989
Internal net interest income/(expenses)	(69,001)	299,422	411,404	(641,825)	-	-
Net interest income	8,405,186	3,843,941	4,089,466	1,307,396	-	17,645,989
Net fee and commission income	2,774,230	538,427	506,671	179,593	-	3,998,921
Net trading gains	211,898	193,983	78,268	17,877	-	502,026
Net gains on financial investments	2,762,974	178	146	-	-	2,763,298
Other operating income	32,416	15,905	33,681	5,134	-	87,136
Operating income	14,186,704	4,592,434	4,708,232	1,510,000	-	24,997,370
Operating expenses	(6,056,609)	(2,074,238)	(1,916,399)	(665,900)	-	(10,713,146)
Impairment losses on assets	(6,425,479)	(611,030)	(1,629,952)	(454,686)	-	(9,121,147)
Profit before taxation	1,704,616	1,907,166	1,161,881	389,414	-	5,163,077
Other segment information						
- Depreciation and amortisation	826,351	385,245	394,706	134,592	-	1,740,894
- Capital expenditure	399,476	84,587	63,617	30,475	-	578,155
	31 December 2023					
	Northern and Northeastern China	Eastern China	Central and Southern China	Western China	Elimination	Total
Segment assets	1,313,871,106	290,301,112	274,845,198	84,126,869	(245,169,500)	1,717,974,785
Deferred tax assets						14,759,051
Total assets						1,732,733,836
Segment liabilities	1,217,467,599	288,394,303	273,901,166	83,737,567	(245,169,500)	1,618,331,135
Total liabilities						1,618,331,135
Credit commitment	111,697,094	95,095,249	95,704,992	25,336,553	-	327,833,888

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management

The Group has exposure to the following risks: credit risk, market risk, liquidity risk and operational risk.

The Group develops and continually improves risk management policies, limit system, control procedures and IT systems based on the latest changes in regulatory policies, market conditions and business development to analyse, identify, monitor and report various risks.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

Risk management system

The Board of Directors of the Bank is responsible for the ultimate responsibility for comprehensive risk management. The Risk Management and Green Finance Committee of the Group is set up under the Board of Directors, which is responsible to the Board of Directors. The Board of Supervisors of the Group is responsible for the supervision of comprehensive risk management and is responsible for supervising the performance of the Board of Directors and senior management in risk management and the rectification. The senior management shall assume the responsibilities for implementing comprehensive risk management and implementing the resolutions of the Board of Directors.

The Group has established a risk prevention system consisting of three lines of defence against each main risk to which it is exposed. The first line of defence is formed by various business departments at the head office, branches, and sub-branches of the Group, who are directly responsible for the prevention of various types of risks. The second line of defence is business management departments of risk management line, Assets and Liabilities Management Department, Internal Control and Compliance Departments, Office (Public Relations Department), Board of Directors Office of the Group, who take the lead in formulating the requisite policies and procedures, and supervising bank-wide risk management measures. The third line of defence is the Audit departments of the Group, which are responsible for auditing the performance of the first line of defence and the second line of defence.

(a) Credit risk

Credit risk is one of the most important risks faced by the business operations of the Group. The Group may be exposed to significant risks when all counterparties are concentrated in a single industry or region. This is mainly because the counterparties' concentration risk is subject to the same impact by the economic development of the region or industry in which they operate.

The Board of Directors of the Bank is responsible for ultimate responsibility for credit risk management and may authorise the Risk Management and Green Finance Committee to execute some of its functions. The Group continues to improve the credit risk management system, credit risk management policies and tools, and the management process is gradually online and digital. The efficiency of credit approval is further improved, providing strategic support for bank-wide business development.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

(1) Measurement of credit risk

Loans and advances to customers and off-balance sheet credit commitments

The Group's Risk Management Department, Credit Approval Department and Asset Monitoring Department are jointly responsible for the credit risk management of various types of credit business and financial investments. For wholesale credit business, the Group measures the default risk and default loss of customers in accordance with the risk measurement requirements of the internal rating method, and continuously improves them through continuous data monitoring, objective validation and performance evaluation, enriches the practical application of risk measurement results in the credit risk management system, and actively explores the construction of the Group's internal rating system. For the retail credit business, the Group, taking into account its own business characteristics and customer structure, rationally applies financial technology to continuously improve its credit scoring model and data mining and risk analysis of customers' historical behavioral performance, so as to progressively enhance the effectiveness of credit access, inventory asset management, asset classification and impairment calculation.

Deposits and placements with banks and other financial institutions and financial assets purchased under resale agreements

The Group adopts a centralised underwriting process in relation to approving credit limits for financial institution counterparties engaged in interbank placements, investment securities and securities under repurchase and resale agreements. The Group assesses the credit risk of these counterparties adopting a quantitative and qualitative approach which collectively involves the assessment and review of their credit rating in the banking industry, customer base and profiles, management capabilities, business prospects, industry position, external environment, regulatory indicators and cooperation with the Group and financial standing and performance, etc.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

(I) *Measurement of credit risk (Continued)*

Debt investments and derivative financial instruments

Before making investment in bonds issued by financial institutions or corporate bonds or before any dealing in financial derivatives with clients, the Group conducts credit assessment on the issuers and the potential clients for dealing in derivative financial instruments (excluding customers who pay full margin). The Group is also appropriately using external credit rating in assessing risk.

The credit risks in financial derivatives engaged by the Group are mitigated mainly through margin deposits, government bonds, pledge of time deposit certificates recognised by the Group and credit facilities from banks.

Prior to approval, the Asset and Liability Management Department assess the potential future exposure ratio for settlement of foreign exchange on behalf of customers which is guaranteed by margin. The Credit Monitor Department is responsible for reviewing the specific business, specific operations are carried out in accordance with the business administrative measures.

(II) *Credit risk limit management*

Loans and advances to customers and off-balance sheet credit commitments

The Group generates credit scheme amount for the customers in accordance with the approval opinions. Meanwhile, the Group reviews the approved conditions for the credit line, and monitors the use of the credit limit. Where clients provide collateral, credit limits shall be frozen or adjusted in a timely manner in responding to the change in value of the collateral in order to meet the approved conditions for the credit lines.

Deposits and placements with banks and other financial institutions and financial assets purchased under resale agreements

The Group activates the credit line for financial institutions interbank customers based on the credit approval, and monitors the quotas of deposits and placements with banks and other financial institutions and financial assets purchased under resale agreements based on the relevant information such as the credit approval and risk exposure.

Debt investment and derivative trading

The Group activates the credit line for financial institutions based on the credit approval, and monitors the bond investment and derivative trading quotas of interbank customers or non-interbank customers based on the relevant information such as the credit approval and risk exposure.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

(III) Credit risk mitigation measures

Collaterals and pledges

The credit policies of the Group provide specific requirements on the acceptable collaterals and pledges, and set different rates for different collaterals and pledges based on their nature and extent of realisation. The Group sets out specific requirements for the qualifications of professional evaluation agencies. In addition, through credit risk management system, the Group implements strict management on the collaterals and pledges and their ownership certificates to prevent the occurrence of operational risks.

If the decrease in value or quantity of collateral makes it insufficient for the actual value of the collateral to meet collateral (pledge) rate, the Group shall freeze the underlying credit program amounts, require the client to provide additional collateral or security deposit or return the corresponding credit lines.

In respect of real estate development loans, the Group, by complying with relevant regulatory requirements, assesses the value of collateralised real estate properties based on their progress of construction, cost to resume and complete construction, expected time of completion, selling prices and reasonable discount rates to prevent over extension of credit. For real estate properties accepted for pledge, the Group sets the minimum requirements on their completion.

The acceptable collateral includes financial collateral, real estate properties, accounts receivable and other collateral, mainly consisting of cash and cash equivalents, stock, state-owned construction land use right, residential real estate, commercial real estate and accounts receivable.

Risk mitigation

In order to raise its operating capabilities and further improve its risk resistance, the Bank is actively considering and coordinating of arranging the disposal of certain assets, which are not included in the credit quality analysis.

Master netting arrangements

The Group and its counterparties enter into master netting arrangements for derivatives transactions to further reduce credit risk. Master netting arrangements may not lead to the offsetting between assets and liabilities on the statement of financial position, because the transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts are terminated and settled on a net basis.

The financial derivatives are mainly settled in accordance with the provisions of the International Swaps and Derivatives Association and the features of the products, using, in principle, the method that involves the lowest settlement risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

(III) Credit risk mitigation measures *(Continued)*

Credit commitments

The main objective of credit commitments is to ensure that clients obtain the funds they need. The Group makes irrevocable guarantee when it issues letters of guarantee, letters of credit and Group's acceptance bill, i.e., the Group shall make repayments on behalf of the client if the client cannot meet its repayment obligations to a third party, and the Group assumes the same credit risks as those of a loan, review should be done in strict compliance with the Group's relevant requirements in conducting such business.

The Group defines margin deposit as one of the risk mitigations and receives certain margin deposits from clients when conducting relevant credit extension business, with the exception of certain creditworthy clients, to reduce the credit risk involved in providing this service. The margin deposit is collected at a certain percentage of the committed amount based on the credibility of the client.

Impairment and provisioning policies

(1) *Stages of risks in financial assets*

The financial assets are categorized by the Group into the following stages to manage its financial assets' credit risk:

- Stage 1: Financial assets have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months expected credit losses.
- Stage 2: Financial assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.
- Stage 3: Financial assets that are in default and considered credit-impaired and impairment is recognised on the basis of lifetime expected credit losses.

(2) *Significant increase in credit risk*

The Group evaluates the whether the credit risk of related financial instruments at least on each date of statement of financial position has increased significantly since initial recognition. The Group makes full use of all reasonable and supportable information, including forward-looking information, to reflect the significant changes in its credit risk when it conducts the classification of losses of financial instruments. Criteria include regulation and operation environment, internal and external credit ratings, solvency, ability to continue as a going concern, provisions of loan contract, and repayment activities. Based on a single financial instrument or a combination of financial instruments with similar credit risk characteristics, the Group compares the risk of default of financial instruments on the date of statement of financial position to determine the change in default risk during the expected duration of financial instruments. The Group judges whether the credit risk of a financial instrument has significantly increased since initial confirmation from the risk classification, risk overdue days, internal and external ratings, probability of default, and market price etc.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

(III) Credit risk mitigation measures *(Continued)*

Impairment and provisioning policies *(Continued)*

(3) Definition of "default" and "credit-impaired assets"

When a financial asset is impaired, the Group identifies the financial asset as a default. Generally speaking, if the financial asset is overdue for more than 90 days, it is considered as a default.

At each date of the statement of financial position, the Group assesses whether financial assets carried at amortised cost and debt instruments at FVTOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties;
- purchase or source a financial asset at significant discount, which reflects that the financial asset is credit-impaired; or
- overdue more than 90 days.

The above criteria apply to all financial assets of the Group and they are consistent with the definition of "default" adopted by the internal management of credit risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

(III) Credit risk mitigation measures *(Continued)*

Impairment and provisioning policies *(Continued)*

(4) Measurement of expected credit losses ("ECL")

The Group adopts ECL model to measure provision for loss of financial assets based on the stages categorised above.

The ECL is principally the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The definitions of these terms are as follows:

- PD refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan;
- EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan;
- LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies according to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

The Group determines the ECL by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future years. The Group multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). For the purpose of calculating the lifetime ECL, the Group calculated the ECL of each period, and the results of calculation are then discounted to the date of statement of financial position and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime PD is deduced from using the maturity model or 12-month probability of default. The maturity model describes the development rule of the defaults of the asset portfolio over its lifetime. The model is developed based on historical observational data and applicable to all assets in the same portfolio with the same credit rating. The above method is supported by empirical analysis.

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different according to different types of products.

In respect of the financial assets with instalment repayments and bullet repayment, the Group determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on prediction of overlimit repayment and prepayments/refinancing made by the borrower.

As to the off-balance sheet credit commitments, the parameter of EAD is calculated using the current exposure method, and obtained from multiplying the nominal amount of the off-balance sheet items on the date of statement of financial position by the credit conversion factor.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

(iii) Credit risk mitigation measures *(Continued)*

Impairment and provisioning policies *(Continued)*

(4) Measurement of expected credit losses ("ECL") *(Continued)*

The Group determines the 12-month loss given default (LGD) and lifetime LGD based on the factors that affects post-default recovery. LGD for different product types are different.

As to financial assets classified as guarantees, the Group determines the loss given default (LGD) according to the types of collaterals and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.

As to credit-based financial assets, the Group usually determines loss given default (LGD) at the product level due to the limited differences in recoverable amounts from different borrowers.

Forward-looking economic information should be considered when determining the 12-month and lifetime probability of default, exposure at default and loss given default.

The Group quarterly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the value of collaterals under the different time limits.

Forward-looking information included in the expected credit loss model is as follows:

The calculation of expected credit losses involves forward-looking information. After the historical analysis, the Group identified the key economic indicators related to expected credit loss, such as gross domestic product (GDP), consumer price index (CPI), Purchasing Managers' index (PMI), Broad money supply (M2), and Industrial Added Value. The Group carried out regression analysis to determine the relationship between these economic indicators and PD as well as LGD, so as to ascertain the impact of historical changes in these indicators on PD and LGD. The Group forecasts these economic indicators at least annually and provides the best estimates of the economic conditions for the coming year.

The important macroeconomic assumptions used by the Group in various macroeconomic scenarios include broad money supply, consumer price index, gross domestic product, export amount, Industrial Added Value, price index of second-hand housing in 70 large and medium-sized cities, Purchasing Managers' Index, and Gross Consumption of Social Retail Goods (GCSR).

The Group established measurement models to identify the three risk weights, i.e. positivity, neutrality and negativity. During the year ended 31 December 2023, the Group's positivity scenario weight is 20%, neutrality scenario weight is 60%, and negativity scenario weight is 20%. The Group measures allowance for credit losses for the first stage based on the weighted average of the credit losses in the three scenarios in the next 12 months; and measures allowance for credit losses for the second and third stages based on the weighted average of credit losses in the three scenarios within the lifetime.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

(i) Maximum credit risk exposure

	31 December	
	2023	2022
Credit risk exposures relating to on-balance sheet items:		
Deposits with the central bank	103,131,676	107,890,680
Deposits with banks and other financial institutions	20,938,491	16,074,856
Placements with banks and other financial institutions	12,353,608	18,333,936
Derivative financial assets	1,551,181	1,211,516
Financial assets held under resale agreements	6,532,553	–
Loans and advances to customers	920,394,849	942,723,216
Financial investments		
– Financial investments measured at fair value through profit or loss	157,036,051	116,566,765
– Financial investments measured at fair value through other comprehensive income	113,888,023	98,422,936
– Financial investments measured at amortised cost	354,928,465	322,504,367
Other assets	6,538,129	6,204,440
Sub-total	1,697,293,026	1,629,932,712
Credit commitments	327,833,888	341,578,520
Total	2,025,126,914	1,971,511,232

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Financial assets (excluding interests accrued) analysed by credit quality

	31 December 2023							
	Carrying amount				Allowances for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Deposits with the central bank	103,098,829	-	-	103,098,829	-	-	-	-
Deposits with banks and other financial institutions	20,960,063	-	-	20,960,063	(26,944)	-	-	(26,944)
Placements with banks and other financial institutions	11,990,000	-	200,000	12,190,000	(13,040)	-	(60,000)	(73,040)
Financial assets held under resale agreements	6,535,008	-	-	6,535,008	(3,792)	-	-	(3,792)
Loans and advances to customers	759,594,693	34,986,923	12,268,724	806,850,340	(5,647,264)	(5,206,582)	(7,590,312)	(18,444,158)
Financial investments	315,623,843	8,291,900	30,865,504	354,781,247	(772,484)	(727,652)	(7,216,463)	(8,716,599)
Other assets	7,342,248	-	-	7,342,248	(804,119)	-	-	(804,119)
Total	1,225,144,684	43,278,823	43,334,228	1,311,757,735	(7,267,643)	(5,934,234)	(14,866,775)	(28,068,652)
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	93,237,758	-	13,524	93,251,282	(18,847)	-	(1,367,990)	(1,386,837)
Financial investments	112,923,874	-	-	112,923,874	(148,805)	-	(10,000)	(158,805)
Total	206,161,632	-	13,524	206,175,156	(167,652)	-	(1,377,990)	(1,545,642)
Credit commitments	327,813,698	16,634	3,556	327,833,888	(333,398)	(851)	(1,778)	(336,027)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

(ii) *Financial assets (excluding interests accrued) analysed by credit quality (Continued)*

	31 December 2022							
	Carrying amount				Allowances for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Deposits with the central bank	107,858,989	-	-	107,858,989	-	-	-	-
Deposits with banks and other financial institutions	16,092,672	-	157,747	16,250,419	(28,669)	-	(157,747)	(186,416)
Placements with banks and other financial institutions	17,873,602	-	200,000	18,073,602	(48,215)	-	(60,000)	(108,215)
Loans and advances to customers	815,507,987	37,663,535	16,801,084	869,972,606	(6,876,826)	(7,063,246)	(9,891,713)	(23,831,785)
Financial investments	279,100,619	23,358,536	24,912,231	327,371,386	(928,829)	(3,117,392)	(6,019,605)	(10,065,826)
Other assets	6,278,086	-	-	6,278,086	(73,646)	-	-	(73,646)
Total	1,242,711,955	61,022,071	42,071,062	1,345,805,088	(7,956,185)	(10,180,638)	(16,129,065)	(34,265,888)
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	85,526,348	-	5,787	85,532,135	(67,791)	-	(1,470,341)	(1,538,132)
Financial investments	97,276,928	-	-	97,276,928	(122,651)	-	(10,000)	(132,651)
Total	182,803,276	-	5,787	182,809,063	(190,442)	-	(1,480,341)	(1,670,783)
Credit commitments	341,558,511	16,537	3,472	341,578,520	(433,343)	(759)	(707)	(434,809)

As at 31 December 2023 and 2022, the fair value of collaterals held against loans and advances that are overdue but not credit-impaired and assessed for lifetime expected credit losses amounted to RMB5,268 million and RMB4,436 million. The fair value of collaterals held against loans and advances that are credit-impaired amounted to RMB10,831 million and RMB8,982 million. The collaterals mainly include land, buildings, machinery and equipment. The fair value of collaterals was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management *(Continued)*

(a) Credit risk *(Continued)*

(iii) *Rescheduled loans and advances to customers*

Restructured loans refer to those loans that the financial status of the relevant borrowers deteriorate, or that borrowers are not capable of repaying and therefore certain clauses on the loan contract are adjusted. As at 31 December 2023 and 2022, the Group's restructured loans amounted to RMB960 million and RMB1,214 million.

(iv) *Credit rating*

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments (excluding interests accrued) analysed by the rating agency designations as at 31 December 2023 and 2022 are as follows:

	31 December	
	2023	2022
Neither overdue nor impaired		
<i>Ratings</i>		
– AAA	337,282,252	288,636,217
– AA – to AA+	42,978,556	21,644,811
Sub-total	380,260,808	310,281,028
Unrated	9,777,988	3,064,777
Total	390,038,796	313,345,805

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management *(Continued)*

(b) Market risk (including the interest rate risk in the banking book)

Market risk refers to the risk of losses to the Group's on-balance sheet and off-balance sheet activities arising from unfavourable changes in market prices, mainly including interest rates and exchange rates, commodity price risk and equity price risks. The interest rate risk in the banking book refers to the risk of losses on the economic value and the overall income of the banking book resulted from unfavourable changes in interest rate levels and the maturity structure. The Group is exposed to market risks in its trading book and banking book. Financial instruments and commodity position recorded in the trading book are those held by the Group for the purpose of trading or avoiding risks in other items of trading book and which can be traded freely. The assets and liabilities of long-term positions held for the purpose of managing the liquidity of the Group, regulatory reserve or profit maximisation are included in the banking book. Generally, the assets and liabilities recorded in the banking book are mainly held-to-maturity.

The Board is responsible for approving management strategies of market risk (including interest rate risks in the banking book, similarly hereinafter), policy and procedure, determining the level of market risk tolerance, urging senior management to undertake necessary measures to identify, measure, monitor and control market risk, obtaining periodic reports associated with nature and level of market risk, monitoring and evaluating the comprehensiveness, effectiveness of market risk management, and performance of senior management under market risk management. The Group's senior management has set up the Asset and Liability Management Committee which is in charge of formulating, reviewing and supervising market risk policy and procedure, and process execution. The committee sets market risk limit according to the Board's risk appetite.

The Group sets up the market risk management team under the Asset and Liability Management Department. The team is independent of trading department, and responsible for leading the market risk identification, measurement, monitoring, and control, ensuring that the market risk of the Group is in compliance with the requirements of internal limits and external supervision according to Group's market risk management policies and procedures.

Trading book market risk

Limits management

In order to control trading book market risk, the Group sets Value-at-Risk limits, Basis Point Value limits and stop loss limits.

Stress testing

Stress testing is used to assess the loss sustainability under extremely adverse conditions when significant market changes take place, including the extreme fluctuations of market risk elements, such as interest rates and exchange rates, unexpected political or economic events, or a combination of the above situations. The market risk of the Group goes through stress testing on a regular basis.

Assessment of fair value

Assessment of the fair value of financial instruments is based on the quantitative analysis of the financial products that takes into consideration the specific characteristics of the financial products, market situation of trading strategy, risk factors and the quality and qualification of counterparties. The Group assesses the fair value of its financial instruments on a regular basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management *(Continued)*

(b) Market risk (including the interest rate risk in the banking book)

(Continued)

Interest rate risk of banking book

Interest rate risk of the banking book are measured and managed mainly through gap management, sensitivity analysis and duration analysis to ensure the interest rate risk of the banking book are controlled within the scope set by the risk appetite.

The Group calculates the interest rate sensitivity gap based on repricing cash flow of the interest-earning assets and interest-bearing liabilities, and conducts scenario analysis, to assess the impact on the Group of changes in interest rates. The impact on the market value of assets or liabilities of one basis point movement in interest rate was assessed through calculation of Basic Point Value.

Interest rate risk of the Group's banking book goes through stress testing on a regular basis. In such stress testing, basic interest rate and market rate is treated as a prime factor, and other factors such as political and economic contingency or several contingencies happened at the same time are included.

Interest rate risk

The Group operates its business predominantly in Mainland China under the interest rate scheme regulated by PBOC.

The Group manages its interest rate risks through gap analysis, duration analysis and sensitivity analysis of its assets and liabilities. The Group has set limits to the rate gap, duration and interest rate sensitivity, and monitors regularly to ensure that the exposures are within the Group's limit.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management *(Continued)*

(b) Market risk (including the interest rate risk in the banking book)

(Continued)

Interest rate risk *(Continued)*

- (i) The tables below summarise the Group's exposures to interest rate risks. They present the Group's assets and liabilities on the statement of financial position at carrying amounts, by the earlier of the contractual re-pricing date or the maturity date.

	31 December 2023					
	Total	Non-interest-bearing	Within three months	Three months to one year	One year to five years	More than five years
Assets						
Cash and deposits with the central bank	103,494,179	395,350	103,098,829	-	-	-
Deposits with banks and other financial institutions	20,938,491	5,372	20,933,119	-	-	-
Placements with banks and other financial institutions	12,353,608	236,648	6,482,333	5,634,627	-	-
Derivative financial assets	1,551,181	1,551,181	-	-	-	-
Financial assets held under resale agreements	6,532,553	1,337	6,531,216	-	-	-
Loans and advances to customers (Note (i))	920,394,849	12,350,216	435,271,170	332,900,018	126,735,034	13,138,411
Financial investments (Note (ii))	633,136,792	47,268,063	152,655,270	86,187,696	288,718,119	58,307,644
Others	34,332,183	34,332,183	-	-	-	-
Total assets	1,732,733,836	96,140,350	724,971,937	424,722,341	415,453,153	71,446,055
Liabilities						
Borrowing from the central bank	133,787,964	1,769,964	50,662,000	81,356,000	-	-
Deposits from banks and other financial Institutions	158,762,222	1,184,275	79,878,884	77,699,063	-	-
Placements from banks and other financial institutions	34,920,012	614,719	11,308,915	21,981,879	1,014,499	-
Derivative financial liabilities	990,612	990,612	-	-	-	-
Financial assets sold under repurchase agreements	66,634,253	22,725	65,982,834	628,694	-	-
Deposits from customers	934,593,879	19,477,362	436,835,191	227,027,687	250,587,639	666,000
Debt securities issued	267,923,368	1,594,678	95,572,763	116,784,488	53,971,439	-
Others	20,718,825	16,603,237	337,044	728,372	2,316,260	733,912
Total liabilities	1,618,331,135	42,257,572	740,577,631	526,206,183	307,889,837	1,399,912
Asset-liability gap	114,402,701	53,882,778	(15,605,694)	(101,483,842)	107,563,316	70,046,143

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management (Continued)

(b) Market risk (including the interest rate risk in the banking book)

(Continued)

Interest rate risk (Continued)

(i) (Continued)

	31 December 2022					
	Total	Non-interest-bearing	Within three months	Three months to one year	One year to five years	More than five years
Assets						
Cash and deposits with the central bank	108,394,184	535,195	107,858,989	-	-	-
Deposits with banks and other financial institutions	16,074,856	10,853	15,864,135	199,868	-	-
Placements with banks and other financial institutions	18,333,936	368,549	9,840,205	6,529,658	1,595,524	-
Derivative financial assets	1,211,516	1,211,516	-	-	-	-
Loans and advances to customers (Note (i))	942,723,216	9,338,023	440,924,692	369,508,433	106,100,138	16,851,930
Financial investments (Note (ii))	544,533,823	27,570,084	153,706,816	77,146,417	229,564,747	56,545,759
Others	28,188,371	28,188,371	-	-	-	-
Total assets	1,659,459,902	67,222,591	728,194,837	453,384,376	337,260,409	73,397,689
Liabilities						
Borrowing from the central bank	117,858,168	1,463,168	35,000,000	81,395,000	-	-
Deposits from banks and other financial institutions	181,175,967	1,426,525	60,257,446	105,491,996	14,000,000	-
Placements from banks and other financial institutions	29,434,826	272,205	10,781,211	17,271,410	1,110,000	-
Derivative financial liabilities	613,173	613,173	-	-	-	-
Financial assets sold under repurchase agreements	60,223,721	24,626	60,199,095	-	-	-
Deposits from customers	863,934,028	20,147,689	312,114,920	324,073,781	206,350,638	1,247,000
Debt securities issued	276,680,991	1,984,243	105,932,008	107,717,517	61,047,223	-
Others	19,587,994	15,358,318	268,176	587,905	2,458,219	915,376
Total liabilities	1,549,508,868	41,289,947	584,552,856	636,537,609	284,966,080	2,162,376
Asset-liability gap	109,951,034	25,932,644	143,641,981	(183,153,233)	52,294,329	71,235,313

Notes:

- (i) As at 31 December 2023 and 2022, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of allowances for impairment losses) of RMB15,904 million and RMB16,228 million, respectively.
- (ii) Financial investments include financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income and financial investments measured at amortised cost.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management *(Continued)*

(b) Market risk (including the interest rate risk in the banking book)

(Continued)

Interest rate risk *(Continued)*

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the potential impact of changes in interest rate on the Group's profit before tax and shareholders' equity (without tax effect). The following table sets forth the results of the Group's interest rate sensitivity analysis on profit before tax and equity (without tax effect) with an assumption that all other variables held constant.

	31 December	
	2023 (Decrease)/ Increase	2022 (Decrease)/ Increase
Change in profit before tax		
100 bps parallel upward shift in yield curves	(1,781,161)	(688,950)
100 bps parallel downward shift in yield curves	1,781,161	688,950

	31 December	
	2023 (Decrease)/ Increase	2022 (Decrease)/ Increase
Change in equity (without tax effect)		
100 bps parallel upward shift in yield curves	(2,910,658)	(1,590,633)
100 bps parallel downward shift in yield curves	2,910,658	1,590,633

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the changes in interest rates within one year, showing how profit before tax and shareholders' equity (without tax effect) would have been affected by repricing of the Group's assets and liabilities within the one-year period on an annualised basis.

Due to possible inconsistencies between reality and assumptions, actual changes in the Group's profit before tax and shareholders' equity (without tax effect) caused by changes in interest rates might vary from estimated results of this sensitivity analysis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management *(Continued)*

(b) Market risk (including the interest rate risk in the banking book)

(Continued)

Foreign exchange risk

Foreign exchange risk refers to the risk of losses arising from the negative changes in the rate of exchange. The Group conducts the majority of its business in RMB, with certain foreign transactions in United States dollars ("USD"), Hong Kong dollars ("HKD") and, to a much lesser extent, other currencies.

The Group's principle in controlling foreign exchange risk is to match its assets and liabilities by currency and to maintain foreign exchange risk within established limits. The Group has set foreign exchange risk limits which are consistent with the guidelines established by the Asset and Liability Management Committee of the Group and are in accordance with relevant regulatory requirements and the management's assessment of current circumstances. The Group also manages its sources and uses of foreign currencies to minimize potential mismatches.

The Group monitors and controls the foreign exchange risk through the limit management, and mainly uses the foreign exchange exposure analysis, scenario analysis and stress testing to measure and analyse the foreign exchange risk. Besides, the Group monitors and controls the foreign exchange risk through the limit management. The Asset and Liability Management Department's market risk team performs independent monitoring, reporting, and management for the entire Group's foreign exchange risk. Meanwhile, the Group managed the on-balance sheet and off-balance sheet foreign exchange risk exposures through derivative financial instruments such as foreign exchange swaps and foreign exchange forwards, and kept the Group's total exposures of on-balance sheet and off-balance sheet to a low level. Therefore, the foreign exchange exposure at the end of the period is not sensitive to exchange rate fluctuations, and the potential impact on the Group's net profit and shareholders' equity is not significant.

The following tables summarise the Group's exchange risk of assets and liabilities at reporting date. Included in the tables are the carrying value of assets and liabilities, and the off-balance sheet credit commitments in RMB equivalent, categorised by the original currency.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management *(Continued)*

(b) Market risk (including the interest rate risk in the banking book)

(Continued)

Foreign exchange risk *(Continued)*

The Group's foreign exchange rate exposures as at 31 December 2023 and 2022 are as follows:

	31 December 2023			
	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Assets				
Cash and deposits with the central bank	100,279,850	1,596,658	1,617,671	103,494,179
Deposits with banks and other financial institutions	10,067,289	9,809,904	1,061,298	20,938,491
Placements with banks and other financial institutions	12,353,608	–	–	12,353,608
Derivative financial assets	1,545,023	–	6,158	1,551,181
Financial assets held under resale agreements	6,532,553	–	–	6,532,553
Loans and advances to customers	868,500,425	45,022,098	6,872,326	920,394,849
Financial investments (Note (i))	590,805,816	38,445,447	3,885,529	633,136,792
Others	29,284,639	146,819	4,900,725	34,332,183
Total assets	1,619,369,203	95,020,926	18,343,707	1,732,733,836
Liabilities				
Borrowings from the central bank	133,787,964	–	–	133,787,964
Deposits from banks and other financial institutions	154,081,335	3,905,520	775,367	158,762,222
Placements from banks and other financial institutions	3,147,188	24,808,071	6,964,753	34,920,012
Derivative financial liabilities	989,487	–	1,125	990,612
Financial assets sold under repurchase agreements	66,634,253	–	–	66,634,253
Deposits from customers	895,002,140	37,196,762	2,394,977	934,593,879
Debt securities issued	264,536,738	3,386,630	–	267,923,368
Others	17,656,513	1,001,747	2,060,565	20,718,825
Total liabilities	1,535,835,618	70,298,730	12,196,787	1,618,331,135
Net position	83,533,585	24,722,196	6,146,920	114,402,701
Off-balance sheet credit commitments	309,997,319	15,168,149	2,668,420	327,833,888

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management (Continued)

(b) Market risk (including the interest rate risk in the banking book)

(Continued)

Foreign exchange risk (Continued)

	31 December 2022			
	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Assets				
Cash and deposits with the central bank	104,298,764	3,810,268	285,152	108,394,184
Deposits with banks and other financial institutions	9,289,521	5,586,101	1,199,234	16,074,856
Placements with banks and other financial institutions	16,909,637	1,424,299	–	18,333,936
Derivative financial assets	1,211,516	–	–	1,211,516
Loans and advances to customers	891,156,201	46,309,954	5,257,061	942,723,216
Financial investments (Note (i))	504,744,888	37,538,955	2,249,980	544,533,823
Others	27,735,833	375,051	77,487	28,188,371
Total assets	1,555,346,360	95,044,628	9,068,914	1,659,459,902
Liabilities				
Borrowings from the central bank	117,858,168	–	–	117,858,168
Deposits from banks and other financial institutions	179,158,725	1,599,194	418,048	181,175,967
Placements from banks and other financial institutions	3,892,617	18,678,913	6,863,296	29,434,826
Derivative financial liabilities	598,442	–	14,731	613,173
Financial assets sold under repurchase agreements	60,223,721	–	–	60,223,721
Deposits from customers	807,203,607	54,329,039	2,401,382	863,934,028
Debt securities issued	272,881,539	3,799,452	–	276,680,991
Others	17,005,151	2,458,045	124,798	19,587,994
Total liabilities	1,458,821,970	80,864,643	9,822,255	1,549,508,868
Net position	96,524,390	14,179,985	(753,341)	109,951,034
Off-balance sheet credit commitments	319,425,879	17,846,119	4,306,522	341,578,520

- (i) Financial investments include financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income and financial investments measured at amortised cost.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management *(Continued)*

(c) Liquidity risk

The Group adopts a centralised approach with respect to its liquidity risk management, in which the head office centrally manages overall liquidity risk across the Group under the policies and guidance of the Board of Directors. Liquidity risk is managed on three levels from the Board of Directors to senior management and down to individual departments, so that all the Group is involved in the liquidity risk management. The Asset and Liability Management Department is the leading department in managing the liquidity risk, and is responsible for formulating liquidity risk management strategies, policies and procedures, and identifying, measuring, monitoring and controlling liquidity risk, and ensuring the Group's overall liquidity risk is controlled within the Group's risk tolerance based on cash flow gap analysis, with the help of intraday position management, early-warning indicators and limit control, among other means and methods, and by conducting stress testing and crisis response exercises, strengthening market pre-judgement and implementing dynamic liquidity risk management when appropriate. The current liquidity risk management policies and systems are in line with regulatory requirements and the Group's own management needs. At the same time, the Group has established and continuously improved a comprehensive and systematic liability business management and risk control system to continuously improve the efficiency and level of financial services to the real economy. The corporate business lines, retail business line and financial market line, among others at the head office, and subsidiaries, overseas branches and domestic sub-branches engage in their business activities in compliance with the liquidity risk management policies, appetite, processes, limits and other requirements as set down by the Board of Directors and senior management.

In addition to effectively managing intraday positions, the Group managed cash flow, balancing liquidity and profitability and ensuring safety payment and implementing integration management of local and foreign currency. For medium- and long-term liquidity risk management, the Group strengthened management measures on dynamic arrangement concerning maturity structure of assets and liabilities, price guidance, investment and financing strategy update and internal limit, implemented initiative supplementing of liabilities and adjustments to asset structure, realised an expanded stable source of capital and improved the maturity structure of assets and liabilities. The Group's core indicators of liquidity risk mainly include liquidity proportion, liquidity coverage ratio, net stable funding ratio and liquidity matching rate. To ensure that the core indicators are in line with the Group's risk appetite, the Group has formulated a planning scheme with reference to the above indicator preferences and broken it down accordingly into the liquidity management scheme of each business. The Group's internal limits on liquidity risk mainly include limits on position, debt securities pledged as security and asset-liability maturity gap. The limits on liquidity risk serve to manage and adjust maturity mismatches of assets and liabilities arising from relevant businesses. Enforcing the establishment and analysis of customer behaviour models, leveraging liquidity management models that use prudent assumptions on the Group's cash inflows and outflows from its assets and liabilities, and by monitoring, analysing and managing its compliance with regulatory indicators and internal limits, the Group has been able to maintain a sound liquidity position.

In order to cope with its potential impact arising from fluctuation of capital market and changes of macro-economic environment, the Group modifies stress testing scenarios and performs liquidity risk stress tests on a regular basis, including the test of cash flow gaps in the future 7 days, 30 days and 90 days and implementation of shortest lifetime management of the Group by introducing the internal and external factors to test the Group's tolerance of liquidity risks under different stress scenarios through stimulation of decline in the price of marketable securities and outflow of deposits. Also, the Group monitors early-warning indicators daily, in consideration of its business size, complexity, level of risk and organisational structure, the Group has emergency plans in place and explicit internal labour division and emergency procedures, and organises involved departments of head office and branches to launch crisis response exercises to ensure its liquidity under a crisis situation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The Group formulates investment guidelines and regularly assesses and adjusts its investment strategies for debt securities in light of actual risk management needs, clearly defines the ceiling for collateral bonds of businesses through internal limits. This ensures the availability of sufficient quality liquid assets which are readily realisable, and structurally ensure the potential liquidity needs of the Group are well taken care of. The Group focuses on the adjustment and optimisation of asset structure, establishes a portfolio of liquidity reserve assets, and implements asset planning management, and pay attention to the stable return of funds when business is due. In addition, the Group continues to expand its various debt channels, actively strengthens the degree of participation in the issuance of financial bonds, inter-bank customer relationship management and open market operations of the PBOC, expand interbank credit, build up emergency fund reserves, attempts to expand the Group's medium and long-term stable sources of liabilities, so as to improve the Group's financing ability under high liquidity pressure.

Maturity date analysis

The following tables provide an analysis of non-derivative assets and liabilities of the Group based on the remaining maturity date at 31 December 2023 and 2022:

	31 December 2023							Total
	Indefinite Note (i)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank (Note (ii))	63,373,799	40,120,380	-	-	-	-	-	103,494,179
Deposits with banks and other financial institutions	-	20,738,491	-	200,000	-	-	-	20,938,491
Placements with banks and other financial institutions	140,000	-	2,235,300	4,195,405	5,782,903	-	-	12,353,608
Financial assets held under resale agreements	-	-	6,532,553	-	-	-	-	6,532,553
Loans and advances to customers	12,562,552	7,488,374	109,568,892	94,609,323	230,433,255	261,280,358	204,452,095	920,394,849
Financial investments (Note (ii))	24,796,351	31,707,447	68,081,384	28,720,906	107,807,306	300,106,168	71,917,230	633,136,792
Others	29,675,493	4,656,690	-	-	-	-	-	34,332,183
Total assets	130,548,195	104,711,382	186,418,129	127,725,634	344,023,464	561,386,526	276,369,325	1,731,182,655
Liabilities								
Borrowings from the central bank	-	-	20,534,723	31,373,494	81,879,747	-	-	133,787,964
Deposits from banks and other financial institutions	-	38,428,688	9,471,720	32,469,960	78,391,854	-	-	158,762,222
Placements from banks and other financial institutions	-	-	5,285,750	6,323,625	22,289,266	1,021,371	-	34,920,012
Financial assets sold under repurchase agreements	-	-	64,931,118	1,073,873	629,262	-	-	66,634,253
Deposits from customers	-	253,687,499	92,899,008	95,250,583	232,349,494	259,724,377	682,918	934,593,879
Debt securities issued	-	-	27,267,591	68,311,386	117,414,077	54,930,314	-	267,923,368
Others	16,603,237	-	1,415	335,629	728,372	2,316,260	733,912	20,718,825
Total liabilities	16,603,237	292,116,187	220,391,325	235,138,550	533,682,072	317,992,322	1,416,830	1,617,340,523
Net position	113,944,958	(187,404,805)	(33,973,196)	(107,412,916)	(189,658,608)	243,394,204	274,952,495	113,842,132

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management (Continued)

(c) Liquidity risk (Continued)

Maturity date analysis (Continued)

	31 December 2022							Total
	Indefinite Note (i)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank (Note (i))	62,773,562	45,620,622	-	-	-	-	-	108,394,184
Deposits with banks and other financial institutions	-	15,815,774	50,021	-	200,082	-	8,979	16,074,856
Placements with banks and other financial institutions	140,000	-	4,381,151	5,588,894	6,591,417	1,632,474	-	18,333,936
Loans and advances to customers	9,472,793	8,449,086	139,185,519	69,913,573	256,592,887	227,932,479	231,176,879	942,723,216
Financial investments (Note (ii))	47,780,178	22,448,519	35,524,152	26,664,671	99,107,657	248,196,953	64,811,693	544,533,823
Others	28,027,318	161,053	-	-	-	-	-	28,188,371
Total assets	148,193,851	92,495,054	179,140,843	102,167,138	362,492,043	477,761,906	295,997,551	1,658,248,386
Liabilities								
Borrowings from the central bank	-	-	15,414,438	20,484,500	81,959,230	-	-	117,858,168
Deposits from banks and other financial institutions	-	37,702,763	5,731,569	17,209,882	106,514,282	14,017,471	-	181,175,967
Placements from banks and other financial institutions	-	-	5,408,155	5,451,901	17,463,876	1,110,894	-	29,434,826
Financial assets sold under repurchase agreements	-	-	60,123,982	99,739	-	-	-	60,223,721
Deposits from customers	-	214,829,199	48,315,715	59,717,462	332,995,323	206,798,380	1,277,949	863,934,028
Debt securities issued	-	-	30,143,095	76,347,007	107,847,846	62,343,043	-	276,680,991
Others	15,358,319	-	189,009	79,167	587,905	2,458,219	915,375	19,587,994
Total liabilities	15,358,319	252,531,962	165,325,963	179,389,658	647,368,462	286,728,007	2,193,324	1,548,895,695
Net position	132,835,532	(160,036,908)	13,814,880	(77,222,520)	(284,876,419)	191,033,899	293,804,227	109,352,691

Notes:

- (i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans and advances, as well as those overdue more than one month. Indefinite amount of financial investments represents impaired investments or those overdue more than one month. Equity investments are listed in the category of indefinite. Loans and advances to customers and financial investments with no impairment but overdue within one month are classified into the category of repayable on demand.
- (ii) Financial investments include financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income, financial investments measured at amortised cost.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management (Continued)

(c) Liquidity risk (Continued)

Analysis on contractual undiscounted cash flows of non-derivative financial liabilities

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities of the Group at 31 December 2023 and 2022:

	31 December 2023								
	Carrying amount	Contractual undiscounted cash flow	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities									
Borrowings from the central bank	133,787,964	135,496,332	-	-	20,559,167	31,513,676	83,423,489	-	-
Deposits from banks and other financial institutions	158,762,222	160,484,484	-	38,428,688	9,484,380	32,620,620	79,950,796	-	-
Placements from banks and other financial institutions	34,920,012	35,714,495	-	-	5,302,279	6,368,358	22,994,035	1,049,823	-
Financial assets sold under repurchase agreements	66,634,253	67,488,797	-	-	65,778,063	1,077,630	633,104	-	-
Deposits from customers	934,593,879	948,634,672	-	253,687,499	92,950,882	95,528,188	235,143,434	270,439,008	885,661
Debt securities issued	267,923,368	275,181,748	-	-	27,312,630	68,615,205	118,879,392	60,374,521	-
Others	20,069,373	20,508,385	15,953,785	-	1,415	336,545	744,529	2,552,357	919,754
Total non-derivative financial liabilities	1,616,691,071	1,643,508,913	15,953,785	292,116,187	221,388,816	236,060,222	541,768,779	334,415,709	1,805,415
Credit commitments	327,833,888	327,833,888	-	20,322,293	52,489,815	72,256,766	167,712,210	15,052,175	629

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management (Continued)

(c) Liquidity risk (Continued)

Analysis on contractual undiscounted cash flows of non-derivative financial liabilities (Continued)

	31 December 2022								
	Carrying amount	Contractual undiscounted cash flow	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities									
Borrowings from the central bank	117,858,168	119,664,241	-	-	15,434,625	20,579,500	83,650,116	-	-
Deposits from banks and other financial institutions	181,175,967	183,578,261	-	37,702,763	5,738,766	18,708,351	107,405,276	14,023,105	-
Placements from banks and other financial institutions	29,434,826	29,892,076	-	-	5,413,168	5,482,317	17,838,450	1,158,141	-
Financial assets sold under repurchase agreements	60,223,721	60,238,439	-	-	60,138,439	100,000	-	-	-
Deposits from customers	863,934,028	879,551,189	-	214,829,199	48,332,370	59,905,550	337,035,442	217,737,899	1,710,729
Debt securities issued	276,680,991	282,715,962	-	-	30,179,147	76,662,047	109,128,505	66,746,263	-
Others	18,883,974	19,358,871	14,654,299	-	240,356	99,720	720,657	2,679,372	964,467
Total non-derivative financial liabilities	1,548,191,675	1,574,999,039	14,654,299	252,531,962	165,476,871	181,537,485	655,778,446	302,344,780	2,675,196
Credit commitments	341,578,520	341,578,520	-	69,244,811	20,111,755	36,210,653	200,840,009	15,171,292	-

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management (Continued)

(c) Liquidity risk (Continued)

Analysis on contractual undiscounted cash flow of derivative financial instruments

The Group's derivative financial instruments that will be settled on a net basis include interest rate swaps, precious metals and interest rate option contracts. The Group's derivative financial instruments that will be settled on a gross basis are exchange rate swaps, exchange rate forwards and foreign exchange option contracts.

The following tables analyse the contractual undiscounted cash flow of derivative financial instruments that will be settled on net amounts and gross amounts basis held by the Group:

	31 December 2023				
	Within one month	One month to three months	Three months to one year	One year to five years	Total
Derivative financial instruments settled on a net basis					
Interest rate swaps	380	7,175	907	1,905	10,367
Precious metal swaps	-	108,711	109,482	-	218,193
Interest rate option contracts	-	-	18	-	18
Derivative financial instruments settled on a gross basis					
Exchange rate swaps					
- Cash inflow	32,395,814	22,004,892	28,250,283	1,356,741	84,007,730
- Cash outflow	(32,195,520)	(22,034,506)	(28,439,457)	(1,299,605)	(83,969,088)
Exchange rate forwards					
- Cash inflow	1,938,088	816,524	19,144,994	20,597,991	42,497,597
- Cash outflow	(1,937,002)	(814,855)	(19,110,456)	(20,536,211)	(42,398,524)
Foreign exchange option contracts					
- Cash inflow	-	556,566	-	-	556,566
- Cash outflow	-	(556,566)	-	-	(556,566)

	31 December 2022				
	Within one month	One month to three months	Three months to one year	One year to five years	Total
Derivative financial instruments settled on a net basis					
Interest rate swaps	9,214	430	8,242	2,676	20,562
Precious metal swaps	-	18,271	44,399	-	62,670
Derivative financial instruments settled on a gross basis					
Exchange rate swaps					
- Cash inflow	17,975,461	5,685,000	10,293,218	-	33,953,679
- Cash outflow	(17,932,153)	(5,704,299)	(9,959,443)	-	(33,595,895)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48 Financial risk management *(Continued)*

(d) Operational risk

Operational risk is the risk of losses due to flawed internal processes, staff and IT systems, and external events. It includes legal risk but excludes strategic risk and reputational risk.

During the reporting period, the Group organised and launched analysis of its operational risk management tools, updated and refined the indicators timely; reviewed changes in regulatory requirements for operational risk management, determined primary optimisation ideas for operational risk management system allowing for realities, and got ready for reconstruction of the operational risk management system; coordinated and launched on-site inspections across the Bank to achieve organic linkage of on-site inspection planning, execution, and supervision; carried out branch operational risk management on-site inspections, promoted branches to boost operational risk management level; completed the revision of the violation points management measures, created a dynamic regulation mechanism of points standard, refined the application of resulting points, and vigorously fostered favourable operational risk management culture.

49 Fair value

(a) Methods and assumptions for determination of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities, interbank deposits, funds and equity investments

The fair values of debt securities, interbank deposits, funds and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of reporting period. If quoted market prices are not available, then fair values are estimated on the basis of valuation models, such as discounted cash flows model.

(ii) Other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of reporting period (taking into account market liquidity and credit spread adjustments).

(iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices at the end of reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are the market interest rates at the end of reporting period (taking into account market liquidity and credit spread adjustments).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Fair value *(Continued)*

(a) Methods and assumptions for determination of fair value *(Continued)*

(iv) Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency forwards, swaps and options, etc. The most frequently applied valuation techniques include discounted cash flow model and the Garman Kohlhagen model extended from Black Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, and interest rate yield curves.

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, derivative financial assets, financial assets held under resale agreements, loans and advances to customers, and financial investments.

Deposits with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements are mostly carried interest at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the LPR rates. Accordingly, the carrying amounts approximate the fair values.

Derivative financial assets, financial investments measured at fair value through other comprehensive income and financial investments measured at fair value through profit or loss are presented at fair value. Financial investments measured at amortised cost are the approximations of their fair values because, for example, they are short-term or repriced at current market rates frequently.

(ii) Financial liabilities

The Group's financial liabilities mainly include deposits from banks and other financial institutions, placements from banks and other financial institutions, derivative financial liabilities, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

Derivative financial liabilities are presented at fair value. The fair value of debt securities issued are disclosed in Note 49 (c). The carrying amounts of other financial liabilities approximate their fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Fair value *(Continued)*

(c) Fair value hierarchy

The following table presents the fair value of financial instruments, which include financial instruments continuously measured at fair value at the end of the reporting period and those not measured at fair value, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for financial instruments that measured at fair value, the fair value of which is based on quoted market prices. When quoted prices on open market are not available, the Group will determine the fair value of financial instruments by using appropriate valuation model, enquiry or by reference to the valuation results of third-party valuation institution. The Group selects appropriate models based on the risk characteristics, liquidity, counterparty risk and pricing basis of specific financial instruments or trading strategies to ensure that their fair value are truly and effectively reflected. When referring to valuation results of third-party valuation agencies, the authority, independence and professionalism of the agencies should be assessed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Fair value (Continued)

(c) Fair value hierarchy (Continued)

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Derivative financial assets	-	1,551,181	-	1,551,181
Loans and advances to customers measured at fair value through profit or loss				
- Corporate loans and advances	-	6,399,285	-	6,399,285
Loans and advances to customers measured at fair value through other comprehensive income				
- Corporate loans and advances	-	90,367	-	90,367
- Discounted bills	-	93,160,915	-	93,160,915
Financial investments measured at fair value through profit or loss				
- Bonds	-	23,134,121	715,619	23,849,740
- Interbank deposits	-	2,785,896	-	2,785,896
- Investment funds	-	54,704,396	-	54,704,396
- Trust plans and asset management plans	-	62,632,641	13,063,378	75,696,019
- Equity investments	448,210	206,365	3,366,940	4,021,515
Financial investments measured at fair value through other comprehensive income				
- Bonds (excluding interests accrued)	-	111,197,648	-	111,197,648
- Interbank deposits (excluding interests accrued)	-	1,726,226	-	1,726,226
- Equity investments	-	-	3,262,738	3,262,738
Total	448,210	357,589,041	20,408,675	378,445,926
Liabilities				
Derivative financial liabilities	-	(990,612)	-	(990,612)
Total	-	(990,612)	-	(990,612)
Not measured at fair value				
Liabilities				
Debt securities issued	-	(265,333,857)	-	(265,333,857)
Total	-	(265,333,857)	-	(265,333,857)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Fair value (Continued)

(c) Fair value hierarchy (Continued)

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Derivative financial assets	–	1,211,516	–	1,211,516
Loans and advances to customers measured at fair value through profit or loss				
– Corporate loans and advances	–	1,712,237	–	1,712,237
Loans and advances to customers measured at fair value through other comprehensive income				
– Discounted bills	–	85,532,135	–	85,532,135
Financial investments measured at fair value through profit or loss				
– Bonds	–	11,335,197	567,229	11,902,426
– Interbank deposits	–	2,393,073	–	2,393,073
– Investment funds	–	64,085,548	–	64,085,548
– Trust plans and asset management plans	–	30,662,845	7,522,873	38,185,718
– Equity investments	471,167	204,268	3,299,887	3,975,322
Financial investments measured at fair value through other comprehensive income				
– Bonds (excluding interests accrued)	–	97,139,021	–	97,139,021
– Interbank deposits (excluding interests accrued)	–	137,907	–	137,907
– Equity investments	–	2,864,433	200,000	3,064,433
Total	471,167	297,278,180	11,589,989	309,339,336
Liabilities				
Derivative financial liabilities	–	(613,173)	–	(613,173)
Total	–	(613,173)	–	(613,173)
Not measured at fair value				
Liabilities				
Debt securities issued	–	(273,130,069)	–	(273,130,069)
Total	–	(273,130,069)	–	(273,130,069)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Fair value (Continued)

(c) Fair value hierarchy (Continued)

Movements during the year ended 31 December 2023 in the balance of Level 3 fair value hierarchy are as follows:

	1 January 2023	Transfer into Level 3	Transfer out of Level 3	Total gains or losses for the period	Included in other comprehensive profit or loss	Additions	Issues	Sales	Settlements	31 December 2023	Unrealised gains or losses for the year included in profit or loss for assets held at the end of the period
Assets											
Financial assets measured at fair value through profit or loss											
- Bonds	567,229	148,390	-	-	-	-	-	-	-	715,619	-
- Trust plans and asset management plans	7,522,873	-	-	(403,801)	-	5,956,213	-	-	(11,907)	13,063,378	(403,801)
- Equity investments	3,299,887	-	-	15	-	67,038	-	-	-	3,366,940	15
Sub-total	11,389,989	148,390	-	(403,786)	-	6,023,251	-	-	(11,907)	17,145,937	(403,786)
Financial investments measured at fair value through other comprehensive income											
- Equity investments	200,000	2,864,433	-	-	198,305	-	-	-	-	3,262,738	-
Total	11,589,989	3,012,823	-	(403,786)	198,305	6,023,251	-	-	(11,907)	20,408,675	(403,786)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Fair value (Continued)

(c) Fair value hierarchy (Continued)

Movements during the year ended 31 December 2022 in the balance of Level 3 fair value hierarchy are as follows:

	1 January 2022	Transfer into Level 3	Transfer out of Level 3	Total gains or losses for the period	Included in profit or loss	Included in other comprehensive income	Additions	Issues	Sales	Settlements	31 December 2022	Unrealised gains or losses for the year included in profit or loss for assets held at the end of the period
Assets												
Financial investments measured at fair value through profit or loss												
- Bonds	567,229	-	-	-	-	-	-	-	-	-	567,229	-
- Trust plans and asset management plans	3,183,316	-	-	-	-	-	4,353,879	-	-	(14,322)	7,522,873	-
- Equity investments	3,299,833	-	-	54	54	-	-	-	-	-	3,299,887	54
Sub-total	7,050,378	-	-	54	54	-	4,353,879	-	-	(14,322)	11,389,989	54
Financial investments measured at fair value through other comprehensive income												
- Equity investments	200,000	-	-	-	-	-	-	-	-	-	200,000	-
Total	7,250,378	-	-	54	54	-	4,353,879	-	-	(14,322)	11,589,989	54

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

49 Fair value *(Continued)*

(c) Fair value hierarchy *(Continued)*

The valuation techniques used for the Group's financial instruments measured at fair value in Level 3 are the discounted cash flow method and the net asset value method, using unobservable inputs such as risk-adjusted discount rate, cash flows and net assets, liquidity discount, respectively. As at the year ended 31 December 2023 and 31 December 2022, there were no significant changes in the valuation techniques.

50 Entrusted lending business

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statements of financial position. Surplus funding is accounted for as deposits from customers.

	31 December	
	2023	2022
Entrusted loans	25,528,949	26,636,754
Entrusted funds	25,528,949	26,636,754

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

51 Commitments and contingent liabilities

(a) Credit commitments

The Group's credit commitments take the form of approved loans with signed contracts, credit card commitments, bank acceptances, letters of credit and financial guarantees.

The Group's loan and credit card commitments include commitments for the approved and signed loan limit but not yet drawdown and credit card overdraft limit. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	31 December	
	2023	2022
Irrevocable loan commitments		
Original contractual maturity within one year	455,150	254,657
Original contractual maturity of one year or more	7,705	–
Credit card commitments	17,788,260	15,507,356
Sub-total	18,251,115	15,762,013
Bank acceptances	180,909,356	228,157,014
Letters of credit	100,511,802	69,431,553
Letters of guarantees	28,145,053	28,227,940
Credit risk guarantee	16,562	–
Total	327,833,888	341,578,520

The Group may be exposed to credit risk in all the above credit businesses. Bank management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows. As at 31 December 2023 and 2022, provisions for credit commitments were RMB336 million and RMB435 million, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

51 Commitments and contingent liabilities *(Continued)*

(b) Credit risk-weighted amount for credit commitments

	31 December	
	2023	2022
Credit risk-weighted amount	68,502,384	62,706,781

The credit risk-weighted amount for credit commitments represents the amount calculated with reference to the guidelines issued by the former CBRC.

(c) Capital commitments

As at 31 December 2023 and 2022, the Group's authorised capital commitments are as follows:

	31 December	
	2023	2022
Contracted but not paid for	539,983	381,455
Authorised but not contracted for	92,697	113,531
Total	632,680	494,986

(d) Outstanding litigations and disputes

As at 31 December 2023 and 2022, the Group has several outstanding litigations and disputes in its normal business operations. Based on the court process and the opinion of the external legal counsel, the reserve balance for litigation losses confirmed is RMB42 million. After consulting with external professional legal counsel, the management of the Group believes that the final outcome of such legal proceedings and claims will not have a material impact on the financial position or operating results of the Group.

During the year ended 31 December 2021, the Group had a dispute with individual corporate customers over the business of bank acceptance bills pledged by certificates of deposit. The Group had reported the case to the policy department. For the year ended 31 December 2022, the Group filed a related lawsuit to the court. As of the approval date of the Group's financial statements, the case was in the judicial process. The outcome of the case is subject to the judgement of the court, and the Group is of the view that the financial impact of the above dispute cannot be reliably estimated. As a result, no relevant accrued liabilities were recognised as at 31 December 2023 and 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

51 Commitments and contingent liabilities *(Continued)*

(e) Pledged assets

Assets pledged as collateral

	31 December	
	2023	2022
Debt securities	201,520,769	181,439,469
Discounted bills	1,899,988	198,095
Total	203,420,757	181,637,564

Certain assets are pledged as collateral under repurchase agreements, and borrowings from central bank and other banks.

As at 31 December 2023 and 2022, the Group did not sell or repledge any pledged assets which it has an obligation to resale when they are due.

52 Statements of financial position and statements of changes in shareholders' equity of the Bank

(a) Statements of financial position of the Bank

	31 December	
	2023	2022
Assets		
Cash and deposits with the central bank	103,494,179	108,394,184
Deposits with banks and other financial institutions	20,938,491	16,074,856
Placements with banks and other financial institutions	12,353,608	18,333,936
Derivative financial assets	1,551,181	1,211,516
Financial assets held under resale agreements	6,532,553	–
Loans and advances to customers	920,394,849	942,723,216
Financial investments:		
Financial investments measured at fair value through profit or loss	160,080,119	120,542,087
Financial investments measured at fair value through other comprehensive income	117,150,761	101,487,369
Financial investments measured at amortised cost	353,904,118	322,504,367
Investment in associate	–	–
Property and equipment	3,576,827	3,732,889
Investment in subsidiary	2,000,000	2,000,000
Deferred tax assets	14,744,476	13,104,422
Right-of-use assets	3,853,434	3,983,738
Other assets	12,041,293	7,334,059
Total assets	1,732,615,889	1,661,426,639

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

52 Statements of financial position and statements of changes in shareholders' equity of the Bank *(Continued)*

(a) Statements of financial position of the Bank *(Continued)*

	31 December	
	2023	2022
Liabilities and equity		
Liabilities		
Borrowings from the central bank	133,787,964	117,858,168
Deposits from banks and other financial institutions	159,002,675	183,216,167
Placements from banks and other financial institutions	34,920,012	29,434,826
Derivative financial liabilities	990,612	613,173
Financial assets sold under repurchase agreements	66,634,253	60,223,721
Deposits from customers	934,593,879	863,934,028
Income tax payable	808,026	1,117,603
Debt securities issued	267,923,368	276,680,991
Lease liabilities	4,070,191	4,185,409
Other liabilities	15,699,800	14,230,860
Total liabilities	1,618,430,780	1,551,494,946
Equity		
Share capital	17,762,000	17,762,000
Other equity instruments	19,961,604	19,961,604
Capital reserve	10,732,077	10,732,077
Surplus reserve	7,828,688	7,340,422
General reserve	20,632,499	20,245,453
Other reserves	(2,718,089)	(3,038,853)
Retained earnings	39,986,330	36,928,990
Total equity	114,185,109	109,931,693
Total liabilities and equity	1,732,615,889	1,661,426,639

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

52 Statements of financial position and statements of changes in shareholders' equity of the Bank *(Continued)*

(b) Statement of changes in shareholders' equity of the Bank

	Notes	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2023		17,762,000	19,961,604	10,732,077	7,340,422	20,245,453	(3,038,853)	36,928,990	109,931,693
Net profit		-	-	-	-	-	-	4,882,652	4,882,652
Other comprehensive income		-	-	-	-	-	320,764	-	320,764
Total comprehensive income		-	-	-	-	-	320,764	4,882,652	5,203,416
Appropriation of profit									
- Appropriation to surplus reserve	40	-	-	-	488,266	-	-	(488,266)	-
- Appropriation to general reserve	40	-	-	-	-	387,046	-	(387,046)	-
- Distribution to other equity instruments holders	41	-	-	-	-	-	-	(950,000)	(950,000)
Balance at 31 December 2023		17,762,000	19,961,604	10,732,077	7,828,688	20,632,499	(2,718,089)	39,986,330	114,185,109

	Notes	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2022		17,762,000	19,961,604	10,732,077	6,731,609	19,496,787	(2,813,629)	34,693,629	106,564,077
Net profit		-	-	-	-	-	-	6,088,134	6,088,134
Other comprehensive income		-	-	-	-	-	(225,224)	-	(225,224)
Total comprehensive income		-	-	-	-	-	(225,224)	6,088,134	5,862,910
Appropriation of profit									
- Appropriation to surplus reserve	40	-	-	-	608,813	-	-	(608,813)	-
- Appropriation to general reserve	40	-	-	-	-	748,666	-	(748,666)	-
- Distribution to other equity instruments holders	41	-	-	-	-	-	-	(950,000)	(950,000)
- Dividends distribution to ordinary shareholders	41	-	-	-	-	-	-	(1,545,294)	(1,545,294)
Balance at 31 December 2022		17,762,000	19,961,604	10,732,077	7,340,422	20,245,453	(3,038,853)	36,928,990	109,931,693

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

53 Subsequent event

After the reporting period, with the approval of the board of directors of the Bank, Tianjin JR Assets Management Co., Ltd won awarded the Bank's transferred assets at a transaction price of approximately RMB3,967 million on 8 March 2024 through on-site tender. The amount of the transferred assets was approximately RMB5,667 million.

Unaudited Supplementary Financial Information

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

In accordance with the Listing Rules and Banking (Disclosure) Rules, the Group discloses the unaudited supplementary financial information as follows:

1 Liquidity coverage ratio and leverage ratio

(a) Liquidity coverage ratio

	31 December 2023	Average for the year ended 31 December 2023
Liquidity coverage ratio (RMB and foreign currency)	113.60%	118.67%

	31 December 2022	Average for the year ended 31 December 2022
Liquidity coverage ratio (RMB and foreign currency)	149.69%	131.01%

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks, the liquidity coverage ratio of commercial banks shall reach 100%.

(b) Leverage ratio

	31 December	
	2023	2022
Leverage Ratio	5.48%	5.43%

Pursuant to the Leverage Ratio Management of Commercial Banks (Revision) issued by the former CBRC and was effective since 1 April 2015, a minimum leverage ratio 4% is required.

Unaudited Supplementary Financial Information

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

1 Liquidity coverage ratio and leverage ratio *(Continued)*

(c) Net stable funding

	31 December	
	2023	2022
Available stable funding	942,723,127	933,965,652
Required stable funding	933,067,515	913,963,270
Net Stable Funding Ratio	101.03%	102.19%

Pursuant to the Administrative Measures on the Liquidity Risk Management of Commercial Banks, a minimum net stable funding ratio 100% is required.

The above liquidity coverage ratio, leverage ratio and net stable funding ratio are calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with China Accounting Standards.

2 Currency concentrations

	31 December 2023			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	95,020,926	5,085,455	13,258,252	113,364,633
Spot liabilities	(70,298,730)	(3,676,029)	(8,520,758)	(82,495,517)
Net position	24,722,196	1,409,426	4,737,494	30,869,116

	31 December 2022			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	95,044,628	3,424,896	5,644,018	104,113,542
Spot liabilities	(80,864,643)	(1,601,012)	(8,221,243)	(90,686,898)
Net position	14,179,985	1,823,884	(2,577,225)	13,426,644

Unaudited Supplementary Financial Information

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

3 International claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, deposits with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions and financial investments.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

31 December 2023			
	Banks	Non-bank financial institutions	Total
Asia Pacific (excluding North and South America)	3,468,014	34,643,546	38,111,560
Europe	1,218,289	90,695	1,308,984
North and South America	6,644,088	794,058	7,438,146
Others	106,682	–	106,682
Total	11,437,073	35,528,299	46,965,372

31 December 2022			
	Banks	Non-bank financial institutions	Total
Asia Pacific (excluding North and South America)	3,594,953	29,170,767	32,765,720
Europe	1,482,363	629,111	2,111,474
North and South America	1,492,738	744,351	2,237,089
Others	104,612	–	104,612
Total	6,674,666	30,544,229	37,218,895

Unaudited Supplementary Financial Information

For the year ended 31 December 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Gross amount of overdue loans and advances

	31 December	
	2023	2022
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	2,755,065	2,009,620
– between 6 months and 1 year (inclusive)	2,700,061	2,534,632
– between 1 year and 3 years (inclusive)	7,750,545	8,019,592
– over 3 years	2,624,251	1,868,287
Total	15,829,922	14,432,131
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.30%	0.21%
– between 6 months and 1 year (inclusive)	0.29%	0.26%
– between 1 year and 3 years (inclusive)	0.83%	0.84%
– over 3 years	0.28%	0.20%
Total	1.70%	1.51%

Organizational Structure Chart

As of the date of this annual report, the principal organizational and management structure of the Bank are as follows:

