交通銀行
BANK OF COMMUNICATIONS

Bank of Communications Co., Ltd.

2024 ANNUAL REPORT

Stock Code:03328

CREATE SHARED VALUE

IMPORTANT REMINDERS

I. The Board of Directors, the Board of Supervisors and Directors, Supervisors, Senior Management of the Bank are responsible for the authenticity, accuracy and completeness of the Annual Report, free of false records, misleading statements or material omissions and assume individual and joint legal responsibilities.

II. The 2024 Annual Report and its summary of the Bank were reviewed and approved at the 21th Meeting of the 10th Session of the Board of Directors of the Bank on 21 March 2025. The number of directors who should attend the meeting was 18, with 17 directors attending the meeting in person and 1 director attending the meeting by proxy. Due to official business, Mr. Liao, Yi Chien David, a Non-executive Director, appointed Chan Siu Chung, a Non-executive Director, in writing to attend and vote on his behalf.

III. Mr. Ren Deqi, Chairman of the Bank, Mr. Zhou Wanfu, Principal in charge of accounting and Mr. Chen Yu, Head of Accounting Department represent that they are responsible for the authenticity, accuracy and completeness of the financial statements in the Annual Report.

IV. The Group's financial statements that were prepared in accordance with China Accounting Standards were audited by KPMG Huazhen LLP. Those prepared in accordance with International Financial Reporting Standards were audited by KPMG, both with unqualified auditor's reports issued.

V. The Bank has implemented semi annual profit distribution of 2024 in the first quarter of 2025, and a cash dividend of RMB0.182 per share would be distributed to registered shareholders of A share and H share. The proposal on profit distribution for the year of 2024 was reviewed by the Board of Directors: based on the total issued ordinary shares of 74.263 billion of the Bank as at the end of the Reporting Period, a cash dividend of RMB0.197 (including tax) per share would be distributed to registered shareholders of A share and H share, totalling RMB14.630 billion. There is no proposal on bonus share or proposal on conversion of capital reserve into share capital for the current year.

VI. Prospective statements involved in the report, such as future plans and development strategies, do not constitute a substantive commitment of the Group to investors. Investors and stakeholders are required to keep sufficient risk awareness and understand the differences between plan, forecasting and commitment.

VII. The Group's operation is mainly exposed to risks including credit risk, market risk, operational risk and compliance risk. The Group has taken and will continue to take various steps to effectively manage risks. For more details which requires investors' attention, please refer to the section of "Management Discussion and Analysis – Risk Management".

Contents

DEFINITIONS

The following terms will have the following meanings in this Report unless otherwise stated:

"Bank","BoCom"	Bank of Communications Co., Ltd.
"Group"	The Bank and its subsidiaries
"Ministry of Finance"	Ministry of Finance of the People's Republic of China
"HSBC"	The Hongkong and Shanghai Banking Corporation Limited
"SSF"	The National Council for Social Security Fund
"CHI"	Central Huijin Investment Ltd.
"PBOC"	The People's Bank of China
"NFRA"	National Financial Regulatory Administration
"CSRC"	China Securities Regulatory Commission
"SSE"	The Shanghai Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Listing Rules"	*The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited*
"Corporate Governance Code"	Appdendix C1 Corporate Governance Code of Hong Kong Listing Rules
"the Articles of Association"	The Articles of Association of Bank of Communications Co., Ltd.
"Win to Fortune"	A corporate and interbank wealth management brand of the Bank, providing comprehensive one-stop wealth management solutions for corporate, government institutions and interbank financial customers through intelligent financial service and digital transformation.
"OTO Fortune"	A main brand of retail business of the Bank with the core value of "creating and sharing abundant wealth with noble virtue" devoted to realising value maintenance and appreciation of wealth for customers.
"BoCom Zhanyetong"	The Bank's unified brand of inclusive finance, comprising the online product "Inclusive e-Loan" and the offline product.
"BoCom Yinongtong"	The Bank's unified brand of rural rejuvenation, comprising the online product "Xingnong e-Loan" and the offline product.
"Personal Mobile Banking"	A mobile APP providing online business processing and other services to personal customers of the Bank and covering a variety of financial products and life service needs of customers.
"Corporate Mobile Banking"	A portable and convenient channel providing online account opening, account enquiry, reconciliation management, transfer and payment, wealth management and investment, financial information, business signing and termination for corporate customers through APPs on mobile phones and tablet computers, with close and convenient channels.
"Corporate Online Banking"	An electronic transaction system of the Bank providing financial services such as account enquiry, corporate payment, cash management, international business, wealth management and investment and financial services for corporate customers through the Internet.
"Go Pay"	A one-stop digital service platform of finance and life for all customers.
"Huimin Credit"	An online credit consumption loan product of the Bank for qualified customers.
"Benefit Business Loan"	A personal business loan products of the Bank for qualified customers for their business entities' daily production and operation turnover.
"BOCOM On-cloud"	An online and offline service brand, practicing the service concept of "institution online, employee online, product online, and service online", building a "cloud outlet, cloud teller, and cloud butler" system based on remote video services, meeting customers' on-line and digitalised service needs through a new mode of online service as screen-to-screen service.
"Yuan"	Renminbi Yuan (RMB)

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

I. CORPORATE INFORMATION

Chinese name: 交通銀行股份有限公司
Chinese abbreviation: 交通銀行
English name: Bank of Communications Co., Ltd.

Legal representative: Ren Deqi
Authorised representatives: Ren Deqi, He Zhaobin
Secretary of the Board of Directors and Company Secretary: He Zhaobin

Registered address: 188 Yin Cheng Zhong Lu, (Shanghai) Pilot Free Trade Zone, PRC

Contact and address:
188 Yin Cheng Zhong Lu, Pudong New District, Shanghai
Postal code: 200120
Tel: 86-21-58766688
Fax: 86-21-58798398
E-mail: investor@bankcomm.com
Official website: www.bankcomm.com, www.bankcomm.cn
Principal place of business in Hong Kong: 20 Pedder Street, Central, Hong Kong

Information Disclosure Channels and Places Where the Annual Report is Available

A share: *China Securities Journal, Shanghai Securities News, Securities Times* and website of the SSE at www.sse.com.cn
H share: Website of HKEx News at www.hkexnews.hk
Places where the annual report is available: Board of Directors Office of the Bank and principal business locations

Information of Shares

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

Domestic auditor: KPMG Huazhen LLP
8/F, Office Tower E2, Oriental Plaza, 1 East Chang An Avenue, Dongcheng District, Beijing, PRC
Name of auditor signed: SHI Haiyun, Li Li

International auditor: KPMG
8/F, Prince's Building, 10 Chater Road, Central, Hong Kong, PRC
Name of auditor signed: Chan Siu Tung Thomas

PRC legal advisor: AllBright Law Offices
Hong Kong legal advisor: Herbert Smith Freehills LLP

Share Registrar and Transfer Office

A Share: China Securities Depository and Clearing Corporation Limited, Shanghai Branch
No. 188 South Yanggao Road, Pudong New District, Shanghai, P.R. China

H Share: Computershare Hong Kong Investor Services Limited
Flat 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Other Information

Unified social credit code: 9131000010000595XD

GENERAL INFORMATION

II. COMPANY PROFILE AND PRINCIPAL ACTIVITIES

Founded in 1908, the Bank is one of banks with the longest history in modern China. The Bank reopened after reorganisation on 1 April 1987 and became the first nationwide state-owned joint-stock commercial bank in China, with Head Office located in Shanghai. The Bank was listed on the Hong Kong Stock Exchange in June 2005 and on the Shanghai Stock Exchange in May 2007. The Bank was selected as a member of Global Systemically Important Banks in 2023. In terms of tier-1 capital, the Bank ranked 9th among global banks.

Guided by the strategic goal of "building a world-class banking group with distinctive advantages", the Group regarded green finance as the keynote for operation development, continued to build four major business characteristics, which include inclusive finance, trade finance, sci-tech finance and wealth finance. The Group continuously improved the five professional capabilities of customer management, technology leadership, risk management, co-operation and resource allocation. With the construction of "Shanghai Base" and digital transformation as strategic breakthroughs, the Group was guided towards a high-quality development.

Upon approval by the NFRA, the Bank provides comprehensive financial services including deposits and loans, supply chain finance, cash management, international settlement and trade financing, investment banking, asset custody, wealth management, bank cards, private banking, treasury businesses, etc. for 2.84 million corporate customers and 199 million retail customers through online service channels such as mobile banking and online banking, as well as over 2,800 domestic outlets and 24 overseas branches (subsidiaries) and representative offices. The Group is involved in businesses such as financial leasing, fund, wealth management, trust, insurance, overseas securities, and debt-to-equity swap through wholly-owned or controlling subsidiaries.

As a long-standing large-scale state-owned banking group with a long history, the bank will always keep in mind the "country's most fundamental interests", maintain strategic stability, strengthen comprehensive risk controls, practice the concept of "providing finance for the people", strive to provide high-quality services to our customers, create more value for shareholders, build a happy home for employees, and make greater contributions to society.

During the Reporting Period, the Group's operating mode, primary businesses and key performance drivers had no significant change.

III. HONOURS AND REWARDS

Comprehensive Ranking

Top 1000 World Banks 2024 (ranked 9th)
The Banker (UK)

Brands and Businesses

First Prize of FinTech Development Award
The People's Bank of China

Innovative Practical Cases of Building a Financial Power (Technology Finance, Pension Finance)
People's Daily Online

Outstanding Cases of Pension Finance of Financial Institutions in 2024
Xinhua News

Annual Digital Finance Cases of "Annual Ceremony for Building a Financial Power 2024" (Credit+Medical)
https://finance.cctv.com/

Level 5 Certification of Data Management Capability Maturity Model (DCMM)
China Information Technology Industry Federation

Mobile Banking Annual Excellence Award, Enterprise Online Banking Annual Excellence Award
China Financial Certification Authority (CFCA)

The Best Custodian, China; the Best Custodian, Pension, China; and the Best Custodian, ETF, China
The Asset

Best Private Bank for Sustainable Investment
Global Finance magazine

Boutique Private Bank Award 2024
Securities Times

ESG Best Practice Examples for Listed Companies 2024
China Listed Companies Association

Advanced Organisation of Green Bank Evaluation
China Banking Association

Main Subsidiaries

Bank of Communications Financial Leasing Co., Ltd.

Best Financial Leasing Company
Global Leasing Competitiveness Forum

Top 10 in Ship Finance (ranked 1st)
Lloyd's List

First prize of State-owned Enterprise Reform and Innovation Achievements (Cases)
Enterprise Management, China Management Science Society

Bank of Communications Schroder Fund Management Co., Ltd.

Golden Bull Excellence Award for Fund Advisory Institutions
China Securities Journal

BOCOM Wealth Management Co., Ltd.

Pudong New Area Economic Outstanding Economic Contribution Award
People's Government of Pudong New Area

Golden Bull Award on Bank Wealth Management Company
China Securities Journal

The Golden Shell Award on Excellent Wealth Management Company in 2024
21st Century Business Herald

BOCOM Financial Asset Investment Co.,Ltd.

The First China Private Equity Yinghua Award – Excellent Private Equity Investment Demonstration Organisation
CHINAFUND/www.chnfund.com

Award for 2024 Annual Outstanding Contribution
Shanghai Science and Technology Financial Alliance

Top 10 Best Investment Cases in China's Semiconductor and Integrated Circuit Industry

Top 5 Withdrawal Cases across China's Advanced Manufacturing and High-tech Industries and the Best Advanced Manufacturing Fields
CVINFO

Bank of Communications International Trust Co., Ltd.

Integrity Trust•Excellent Company Award, Integrity Trust•Best Asset Management Trust Product Award
Shanghai Securities News

Golden Bull Award for One-year Hybrid Products
China Securities Journal

Outstanding Cases of Family Trust Management Innovation
The Banker

BOCOM MSIG Life Insurance Co., Ltd.

Outstanding Cases of Annual Pension Finance
www.china.org.cn

"Golden Word-of-mouth" Medical Insurance of the Year
China Banking and Insurance News

Gold Medal Insurance Product Ark Award
Securities Times

FINANCIAL HIGHLIGHTS

I. KEY FINANCIAL DATA AND FINANCIAL INDICATORS

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

Items	2024	2023	2022	2021	2020
Full year results					*(in millions of RMB)*
Net interest income	**169,832**	164,123	169,882	161,693	153,336
Net fee and commission income	**36,914**	43,004	44,855	47,573	45,086
Net operating income	**260,269**	258,014	257,346	269,748	246,724
Credit impairment losses	**52,567**	56,908	60,411	66,371	62,059
Operating expenses	**77,687**	77,369	76,151	74,545	66,004
Profit before tax	**103,475**	99,698	98,115	93,959	86,425
Net profit (attributable to shareholders of the Bank)	**93,586**	92,728	92,102	87,581	78,274
As at the end of the year					*(in millions of RMB)*
Total assets	**14,900,717**	14,060,472	12,991,571	11,665,757	10,697,616
Loans and advances to customers[1]	**8,555,122**	7,957,085	7,294,965	6,560,400	5,848,424
Total liabilities	**13,745,120**	12,961,022	11,958,049	10,688,521	9,818,988
Deposits from customers[1]	**8,800,335**	8,551,215	7,949,072	7,039,777	6,607,330
Shareholders' equity (attributable to shareholders of the Bank)	**1,144,306**	1,088,030	1,022,024	964,647	866,607
Per share					*(in RMB)*
Earnings per share (attributable to the ordinary shareholders of the Bank)[2]	**1.16**	1.15	1.14	1.10	0.99
Net assets per share (attributable to the ordinary shareholders of the Bank)[3]	**13.06**	12.30	11.41	10.64	9.87

Items	2024	2023	2022	2021	2020
Key financial ratios					(%)
Return on average assets	**0.65**	0.69	0.75	0.80	0.77
Return on weighted-average shareholders' equity[2]	**9.08**	9.68	10.34	10.76	10.35
Net interest margin[4]	**1.27**	1.28	1.48	1.56	1.57
Cost-to-income ratio[5]	**29.90**	30.04	29.65	27.67	26.81
Non-performing loan ratio[6]	**1.31**	1.33	1.35	1.48	1.67
Provision coverage ratio	**201.94**	195.21	180.68	166.50	143.87
Capital adequacy indicators					*(in millions of RMB unless otherwise stated)*
Net capital[7]	**1,508,812**	1,351,116	1,250,317	1,139,957	1,021,246
Including: Net core tier-1 capital[7]	**964,568**	905,394	840,164	783,877	727,611
Net other tier-1 capital[7]	**176,078**	176,289	176,480	176,348	134,610
Net tier-2 capital[7]	**368,166**	269,433	233,673	179,732	159,025
Risk-weighted assets[7]	**9,416,873**	8,850,786	8,350,074	7,379,912	6,695,462
Capital adequacy ratio (%)[7]	**16.02**	15.27	14.97	15.45	15.25
Tier-1 capital adequacy ratio (%)[7]	**12.11**	12.22	12.18	13.01	12.88
Core tier-1 capital adequacy ratio (%)[7]	**10.24**	10.23	10.06	10.62	10.87

Notes:

1. Loans and advances to customers do not include interest receivable of related loans and advances. Deposits from customers include interest payable of related deposits.
2. Calculated pursuant to the requirements of *Regulations on the Preparation of Information Disclosure for Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (2010 Revision)* issued by the China Securities Regulatory Commission (the "**CSRC**").
3. Refer to shareholder's equity attributable to the ordinary shareholders of the Bank after the deduction of other equity instruments against the total issued ordinary shares as at the end of the period.
4. Represented the ratio of net interest income to total average interest-bearing assets.
5. Calculated pursuant to China Accounting Standards, as business and management fees divided by operating income, which is consistent with the financial report prepared under China Accounting Standards.
6. Calculated pursuant to regulatory standards.
7. Calculated pursuant to the *Administrative Measures for the Capital of Commercial Banks* and its relevant regulations by the National Financial Regulatory Administration ("**NFRA**"), the calculation scope includes all domestic and overseas branches of the Group and subsidiaries of financial institutions (excluding insurance companies).

STATEMENT FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Ren Deqi
Chairman of the Board of Directors

In 2024, BoCom adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, upheld the general tone of seeking progress while maintaining stability, implemented structural reforms of the financial supply side, and earnestly performed the responsibilities of the main force and stabilising factor of a major state-owned bank, thereby achieving steady progress and quality improvement in business development: "steadiness" is reflected in the resilience of earnings growth, the net interest margin, as well as good asset quality; "progress" is reflected in the steady improvement of the business scale, further optimisation of the business structure, and continuous reinforcement of service entities. The developmental achievements and investment value of BoCom won positive affirmation from capital markets, with both A-share and H-share prices rising by more than 40% throughout the year.

By deeply integrating with the national strategy, we strive to move forward on a new journey to help high-quality economic and social development. We are robustly promoting policy implementation in respect of key national strategies and building security capacity in key areas, as well as promoting a new round of large-scale equipment renewal and trade-ins of consumer goods. Through efficiently implementing various policies to stabilise the economy, BoCom's loans in manufacturing, strategic emerging industries, and inclusive and agriculture-related fields maintained rapid growth, with the growth rate of personal consumption loans having led the industry for four consecutive years. **Actively supporting the coordinated regional development strategy.** BoCom provided efficient financial resources to promote the coordinated development of the Beijing-Tianjin-Hebei region, the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, and the integration of the Yangtze River Delta, among other major national strategies, with a steady increase in the proportion of loans in relevant regions; BoCom comprehensively leverages a variety of policy tools and Fintech means to guide the expansion of services and optimise the financial service capacity for urban and rural areas year-by-year. **Using in-depth services to achieve high-level opening-up.** The financial services network along the "Belt and Road" is continuously improving with the Dubai International Financial Centre Branch being opened; a financial services bridge was established to connect domestic and foreign companies, and support domestic enterprises steadily "go global"; the business volume of new foreign trade formats achieved vigorous development.

We firmly promoted the implementation of our strategy and strengthened the characteristic advantages of the "five priorities" of finance in a practical and detailed manner. The development level of sci-tech finance was improved. Following the development needs of new quality productive forces, improving the whole chain and life cycle financial services of technology-based enterprises, promoting the virtuous circle of "technology-industry-finance", the total financing amount exceeded 850 billion. **Green finance improved in terms of quality and efficiency.** Focusing on the goal of the comprehensive green transformation of economic and social development, we strengthened financial support for the green, low-carbon and circular economies, resulting in a high growth rate in green loans and green bonds. **Inclusive finance expanded and grew.** By adhering to the principle of finance benefiting the people, building a long-term mechanism for inclusive finance development, we increased effective credit supply for micro – and small-sized enterprises, the private economy, rural revitalisation, and other fields, making every effort to promote common prosperity. **The system of pension finance was well established.** The coordinated development of pension industry finance, pension finance, pension wealth management, and pension consumption finance helped the high-quality development of the silver economy, the health industry, and Chinese style pension undertakings; BoCom's scale of pension trusteeship stayed at the forefront of the industry. **Digital finance developed quickly and steadily.** We strengthened product supply and the construction of a scenario ecological platform, and created the G-B-C multi-linkage ecological platform to offer effective support for the development of the digital economy. In addition, by actively integrating into the "dual circulation" new development pattern, we improved the availability and convenience of wealth management services, and raised the development of trade finance and wealth finance to a new level.

We promoted deep reform and innovation to drive the reshaping of business models and improve the quality and efficiency of development. The advantages of the Shanghai base as an innovation planning source were accumulated. Focusing on the construction of "Five Centres" in Shanghai, effective efforts were made to maintain market leadership in financial market transactions, element market services, the custody business, etc., with the innovation planning source achieving positive results in equity investments, sci-tech finance, aviation trade finance, offshore business, digital RMB, credit+medical care, and other fields. **Digital transformation is paying off.** By following up on the new trends and characteristics of digital economy development, we strengthened data applications, and leveraged the value of data elements to enable accurate customer acquisition, financing and credit enhancement, and risk measurement; we promoted the large-scale and systematic application of artificial intelligence, for the purpose of helping improve the efficiency of all factor production; we steadily propelled the construction of digital infrastructure, and basically achieved the full coverage of disaster recovery for key business systems and the continuous and stable operation of the business. **Deepening reform in key areas is yielding results.** We improved the management structure of audit, Fintech and inclusive finance, set up a professional custody centre, promoted the transformation of localised credit card operations, improved the systematic mechanism guarantee for high-quality development, and enhanced the driving force and vitality of business development.

STATEMENT FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

We effectively coordinated development and security, and earnestly shouldered the political responsibility of preventing and resolving risks. In order to strengthen the Group's comprehensive risk management, we proactively connected with the national debt-relief package, implemented the real estate financing coordination mechanism, continued to improve the ability of early identification, early warning, early revealing, and early disposal, so as to effectively prevent and resolve risks in key areas; the risk governance ability of subsidiaries and overseas institutions has been gradually enhanced. **In order to strengthen forward-looking risk identification and proactive prevention,** we have created a full process and full coverage digital risk management system to effectively improve the level of risk management intelligence. We have also improved the management level of network security, data security, and system security, developing an optimised risk prevention and control response plan according to actual situations. In addition, we studied and promoted core tier-one capital replenishment to enhance risk offsetting capabilities. The annual objectives of post loan (investment) management were generally achieved, with stable overdue rates, decreasing non-performing loan ratios, and a provision coverage ratio exceeding 200%.

We actively practised our social responsibilities and steadily rewarded the trust and support of shareholders. Annual public welfare donation expenses were 58.8399 million, focussed on supporting rural revitalisation, social welfare, emergency relief, and other fields. BoCom actively responded to the policy requirements of enhancing the stability of cash dividends and promoting multiple rounds of dividend distribution within a year. In 2023, cash dividends of RMB0.375 per common share were distributed, with the dividend ratio having remained above 30% for 12 consecutive years; the interim dividend was implemented from 2024, and the cash dividend per common share was RMB0.182.

Over the past year, all sectors of society have given numerous concern and support to BoCom. The Board of Supervisors has accurately and effectively performed its supervisory duties. Management and all cadres and staff have worked hard together to promote BoCom in becoming a world-class banking group. On behalf of the Board of Directors, I would like to pay high tribute and heartfelt thanks to all of you for your hard work!

Looking ahead to 2025, the world will undergo major accelerating changes unprecedented in a century, the international environment will continue the accumulation of unstable and uncertain factors, and, against this backdrop, the expansion of effective domestic demands, reform and stable development are undoubtedly a heavy task. However, China's economy has a stable foundation, various advantages, strong resilience, and great potential. The supporting conditions and underlying trends for long-term improvement remain unchanged. BoCom will comply with the trend of economic transformation and upgrading, maintain strategic concentration, practice long-term principles, and continuously improve the quality and efficiency of development.

—— The opportunity to optimise the governance structure to consolidate the cornerstone of sustainable development. We will improve the corporate governance structure, strengthen the strategic decision-making and supervision functions of the Board of Directors, and enhance modern governance capabilities. In addition, by steadily implementing capital replenishment, strengthening capital constraints, enhancing business capability, balancing functionality and profitability, and improving core indicators such as return on equity (ROE), we will provide stable returns for patient capital.

—— The "five priorities" of finance as the starting point to accelerate the pace of high-quality development. By adhering to the original intention of serving the real economy, and giving full play to the advantages of cross-border, cross-industry, and cross-market group operations, we attempt to accelerate the innovation of technological financial products and services, expand the field of green finance services, enable inclusive finance with technology and data, and promote the coordinated development of the pension finance system, so as to optimise the asset structure, consolidate the customer base, highlight our unique advantages, and achieve sustainable development.

—— With the Shanghai Base and digital transformation as the traction force, accelerate reform and innovation, and promote overall business capabilities. By promoting the construction of the Shanghai Base and continuing to improve its value contribution, we will lead the transformation of the Group based on the demonstration effect of the Shanghai Base as an innovation planning source. By leveraging the creative superimposed effect of data elements and digital technology, we will increase the application of artificial intelligence and other technological means in the fields of industry development, services and management, and improve total factor productivity.

—— On the premise of comprehensive strict risk control, safeguarding the bottom line of safe and stable operations. By adhering to a stable and prudent risk attitude, improving the overall risk management system and mechanisms, preparing risk plans for overseas institutions subject to extreme risks, and including plans for subsidiaries, Fintech, etc. to effectively prevent and resolve credit risks in key areas, and maintain stable and good asset quality.

Those who work will succeed, and those who walk will arrive at their destination. In the new year, BoCom will fully implement the spirit of the 20th CPC National Congress and the Second and Third Plenary Sessions of the 20th CPC Central Committee, unswervingly following the path of financial development with Chinese characteristics and making more and greater contributions to promoting Chinese-style modernisation!

STATEMENT FROM THE PRESIDENT

Zhang Baojiang
President

In the face of the challenging business environment in 2024, by adhering to the original intention and courageously assuming our mission, actively practising the political – and people-oriented nature of financial work, and sticking with strategic determination and keen market insights, BoCom steadily moved forward in the complex market environment and delivered high-quality developmental achievements characterised by steady progress and steady quality improvements. This was the result of the concerted efforts of all of BoCom's employees, together with the care and support of shareholders, customers and friends from all walks of life.

Over the past year, we focused on the "three stabilisations and one optimisation" work goal: stabilising benefits, stabilising interest margins, stabilising quality, and optimising structure. Through the implementation of prudent and flexible business strategies, we promoted the balanced development of scale, efficiency, and quality, and vigorously fulfilled the main force and stabilising factors of a major state-owned bank. **The business scale steadily increased.** By the end of 2024, the Group's total assets amounted to 14.9 trillion, representing an increase of 5.98% over the beginning of the year. The Bank's domestic balance for various RMB loans increased by 647.9 billion, or 8.55%, over the beginning of the year. **Profitability remained resilient,** achieving growth in both revenues and profits. Annual operating revenue increased by 0.87% year-on-year, and the net profit attributable to the parent company increased by 0.93% year-on-year. In the context of general pressure on net interest margins across the industry, the Bank's net interest margin for the whole year decreased slightly, by 1 basis point year-on-year. **Asset quality continued to be consolidated.** The Group's non-performing assets ratio at the end of the year was 1.31%, representing a decrease of 0.02 percentage point over the beginning of the year. The provision coverage ratio was 201.94%, representing an increase of 6.73 percentage points over the beginning of the year, with the ability of offsetting against risks being further enhanced. The Group distributed interim cash dividends of 13.5 billion, with the stable annual dividend rate being more than 30% for 12 consecutive years, bringing long-term investment returns for shareholders.

Over the past year, we adhered to the concept of long-term steady operations and development, drew a full blueprint for the "14th Five-Year Plan" of BoCom, worked hard on difficult but correct tasks, and forged a value creation ability throughout the cycle:

Rooted in the real economy and in customers, enabling the development of new quality productive forces. The real economy is the foundation of finance. Only by deeply cultivating industrial demand can we achieve common prosperity. We closely follow the national strategic orientation, pay attention to major strategies, key areas and weak sectors, and focus on the "five priorities" of finance. Throughout the year, loans in the medium – and long-term manufacturing industry, strategic emerging industries, the "two-increases" of inclusive finance, and green finance increased by 11.93%, 9.05%, 29.1% and 8.6%, respectively, higher than the average growth rate of various loans. We promoted banking services towards a "new" cohesive force, improved the four-tier organisational system of: head office, branches (provincial), branches (municipal), and sub-branches in terms of sci-tech finance, strengthened the professional evaluation system and approval team, innovatively launched active credit extension products; in 2024, the total financing amount of the "stocks, loans, debts, and leases" businesses exceeded 850 billion. We implemented structural reform of the inclusive finance system and built a "credit+" comprehensive service. The number of loans of inclusive finance for micro – and small-sized enterprises increased by 21.88%. By promoting the coordinated development of green finance and transition finance, a number of innovative businesses were implemented, such as sustainability-linked loans. The pension finance business system was initially formed and the number of individual pension accounts doubled. By continuing to strengthen financial support for stabilising foreign investments and foreign trade, the business volume of new forms of foreign trade increased by 40%. During the Reporting Period, the Dubai International Financial Centre Branch was officially opened, and the "Belt and Road" service network further expanded. The Group's strength was utilised to deeply cultivate the Shanghai Base and form a batch of influential and promotable successful experiences.

Optimise the business structure, focus on value creation, and cultivate new momentum for high-quality development. Under the dual pressure of the continuous decline in interest rates and the strengthening of capital constraints, we firmly optimised the asset liability structure, reinforced our ability to guide and regulate business operations, and thereby comprehensively improved value creation. In terms of the asset side, we vigorously optimised the regional credit layout and terms structure, increased the proportion of key areas of value creation, compared low capital consumption and high-yield assets, and thereby maximised benefits under controllable risks. The proportion of retail loans was further increased, with personal consumer loans increasing by 90.44%, keeping the growth rate ahead of the industry. In terms of the liability side, by expanding underlying customer groups and building a scenario ecology, we vigorously expanded low-cost core liabilities, reduced and replaced high cost liabilities, and further brought the cost ratio of interest-bearing liabilities down by 19 basis points. By actively expanding the source of profits and tapping the growth potential of intermediary businesses such as agency, payment settlements, and custody, the scale of retail assets under management (AUM) increased by 9.74% to 5.49 trillion, and the scale of asset custody increased by 13.3% to 15.57 trillion. We focused on building a diversified growth engine, promoting the differentiated development of overseas institutions, with the net interest margin of overseas branches increasing by 11 basis points year-on-year. The operations of the holding subsidiaries presented numerous highlights. Bank of Communications Financial Leasing Co., Ltd. remained in a leading position in the industry. The profits of BOCOM MSIG Life Insurance Company Limited and BOCOM Wealth Management Co., Ltd. grew rapidly. The debt equity swap and equity investment business of BOCOM Financial Asset Investment Co., Ltd. increased in scope and quantity. After the second half of the year, the Group's operating income and net profit attributable to the parent company improved quarter by quarter, with the annual growth rate increasing by 2.26 and 1.62 percentage points, respectively, compared with the first three quarters.

Build digital strength, create a scenario ecology, and promote the reform of financial service methods. We unswervingly promoted the construction of a new digital bank and accelerated the comprehensive and profound reforms in technology, business, channels, processes, and product services, focussing on building a variety of scenarios to serve the government and people's livelihoods, industrial operations, and consumer lifestyles, and endowing banking services with added value and high stickiness by integrating financial and non-financial resources. By comprehensively refining the algorithm, computing power, and data infrastructure of artificial intelligence applications, the layout of high error tolerance and large computing power of "one cloud with multiple cores" and "multiple locations with multiple centres" gradually took shape. Furthermore, the core business system accelerated its transformation to a distributed architecture, and a series of enterprise level platforms such as privacy computing and blockchain were implemented. We strengthened the business empowerment of Fintech, iteratively developed products and services such as "Beneficial Medical Treatment", "BoCom Jiaoxintong", "Cloud Inter-bank", and launched "Mobile Banking 9.0". Monthly active users (MAU) of mobile banking broke 55 million for the first time, up 6.3 million from the end of last year, with the proportion of online channel business growth of inclusive credit increasing to 80%. We promoted the large-scale application of "Artificial Intelligence+", leading to the replacement of more than 1000 man-hours throughout the year, accurate identification of risk assets of more than 10 billion, and the voice recognition rate of inbound call centre business of intelligent customer service reached 99%. At the same time, by exploring the establishment of a digital business centre, we explored a new pattern of online retail business, accelerated the construction of a service pattern from offline to online, and upgraded from gradual and partial digitalisation to an integrated enterprise level.

Consolidate the risk line of defence, understand market changes, and improve the overall risk management level. By always regarding risk management as the eternal theme of financial work and the lifeline of survival and development, and adhering to bottom line and limit thinking, we effectively responded to the challenges brought by changes in the external environment and market fluctuations, and firmly held the bottom line of no systemic risk. We continued to improve the "three-dimensional integration" comprehensive risk management system comprising risk categories, institutions, and products, with a focus on improving the four capabilities of "early identification, early warning, early revealing, and early disposal", and further promoting the implementation of the Group's unified risk management requirements in overseas banks and subsidiaries. The "Post Loan (Investment) Management Year" activity was solidly carried out, and the potential risks in key areas such as real estate and local debt further reduced. The disposal of non-performing asset loans throughout the year was 66.7 billion, representing an increase of 3% year-on-year. We strengthened proactive management of market risks, liquidity risks, and other risks, improved non-traditional risk management mechanisms, such as country risks, climate risks and model risks, and improved closed-loop internal control and compliance management. Our project for deepening digital intelligence risk control and digital risk management won first prize in the Fintech Development Awards from the People's Bank of China.

We are determined to embark on a new journey and open up a new and brighter future. Looking forward to the new year, with the mission of helping build a financial power and offering high quality services for the real economy, we will shoulder the responsibility of a major state-owned bank, consolidate our customer base, highlight customer value creation, expand the strategic depth between traditional business innovation and emerging business expansion, and focus on shaping a diversified revenue structure and high-quality development pattern, thereby bringing stable and sustainable returns to shareholders and creating greater value for society.

I. ECONOMIC AND FINANCIAL ENVIRONMENT

In 2024, the global economy continued to slowly recover, with the performance of major economies varying significantly. By withstanding external pressure and overcoming internal difficulties, China's economy continued to improve, and GDP grew by 5%. During the year, the structure of the country's economy continued to develop; the leading role played by internal circulation was strengthened; ground-breaking achievements in innovation continued to emerge. In addition, in 2024, the shift from old to new economic drivers accelerated, and China effectively promoted high-quality development.

During the year, proactive fiscal policies and prudent monetary policies were closely coordinated to promote high quality development. In particular, certain tax policies were extended and optimised to alleviate difficulties for enterprises, encourage enterprises to pursue development, boost domestic demand, and assist in the construction of a modernised industrial system. The statutory deposit reserve ratio and policy interest rate were lowered twice, continuously driving the market interest rate down and creating a sound monetary and financial environment. The newly established stock repurchases increased the holding of loans and facilitated the swap of securities, funds and insurance companies, boosting market confidence. Policies such as sci-tech innovation and technological transformation refinancing, optimisation of real estate finance, and auto loans were established to support the development of the real economy.

During the year, financial supervision was strengthened to encourage banks to better serve the real economy. In terms of risk prevention, regulatory authorities focused on the implementation of stock policies for real estate risks, the introduction of incremental policies, and the application of "a combination of measures"; the reform of small and medium-sized financial institutions was actively promoted to mitigate the risks. In terms of strengthening supervision, financial institutions were guided to optimise their layout and actively respond to the risk of narrowing net interest margins and loss of interest margins; the coordination working system was improved for the inclusive finance for small and micro enterprises for the purpose of creating a fair and just market order. In terms of promoting development, the guidance or plans on the "five priorities" of finance were implemented, so as to promote the development of sci-tech finance, digital finance, pension finance, and green finance, concentrating on the "five priorities" of finance in a practical and detailed manner and improving the quality and level of financial services for the real economy.

The banking industry has been continuously providing better support to the real economy and meeting the financing needs of major projects and projects that support people's livelihoods. Credit expansion has continued to tilt towards key areas, including the manufacturing sector, strategic emerging industries, sci-tech innovation industries, and inclusive small and micro enterprises. The weighted average interest rate of loans continues to remain at historically low levels, leading to a further reduction in financing costs for the real economy.

FINANCIAL STATEMENT ANALYSIS

II. FINANCIAL STATEMENT ANALYSIS

During the Reporting Period, the Group adhered to the general tone of seeking progress while maintaining stability, deepened the structural reform of the financial supply side, "five priorities" of finance in detail, earnestly fulfilled the responsibilities of the main force and ballast, and kept the overall business operation stable.

The scale has steadily increased. As at the end of the Reporting Period, the total assets of the Group increased by 5.98% over the end of the previous year to 14.90 trillion, of which, the Group's balance of loans and advances to customers increased by 598.037 billion or 7.52% over the end of the previous year to 8.56 trillion; balance of deposits from customers increased by 249.120 billion or 2.91% over the end of the previous year to 8.80 trillion.

Operating efficiency remains resilient. During the Reporting Period, the Group's net profit (attributable to shareholders of the parent company) amounted to 93.586 billion, representing a year-on-year increase of 0.93%. The Group's net operating income amounted to 260.269 billion representing a year-on-year increase of 0.87%.

Asset quality continues to consolidate. As at the end of the Reporting Period, non-performing loan ratio of the Group was 1.31%, decreased by 0.02 percentage point over the end of the previous year. Provision coverage ratio was 201.94%, representing an increase of 6.73 percentage points over the end of the previous year.

1. Analysis on Key Income Statement Items

(1) Profit before tax

During the Reporting Period, the Group's profit before tax increased by 3.777 billion on a year-on-year basis, representing an increase of 3.79% to 103.475 billion. The profit growth was mainly due to the year-on-year increase in net interest income and the year-on-year decrease in credit impairment losses. During the Reporting Period, the net interest income increased by 3.48% year on year, and the credit impairment loss decreased by 7.63% year on year.

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

(in millions of RMB unless otherwise stated)

	2024	2023	Increase/ (decrease) (%)
Net interest income	**169,832**	164,123	3.48
Net non-interest income	**90,437**	93,891	(3.68)
Including: Net fee and commission income	**36,914**	43,004	(14.16)
Net operating income	**260,269**	258,014	0.87
Credit impairment losses	**(52,567)**	(56,908)	(7.63)
Impairment losses on other assets	**(1,640)**	(1,062)	54.43
Other operating expenses	**(102,587)**	(100,346)	2.23
Including: Operating expenses	**(77,687)**	(77,369)	0.41
Profit before tax	**103,475**	99,698	3.79
Income tax	**(9,246)**	(6,446)	43.44
Net profit	**94,229**	93,252	1.05
Net profit attributable to shareholders of the parent company	**93,586**	92,728	0.93

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

(in millions of RMB unless otherwise stated)

	2024		
	Amount	**Proportion (%)**	**Increase/ (decrease) (%)**
Net interest income	**169,832**	**65.25**	**3.48**
Net fee and commission income	**36,914**	**14.18**	**(14.16)**
Net gains arising from trading activities	**21,919**	**8.42**	**(5.62)**
Net gains arising from financial investments	**1,949**	**0.75**	**168.09**
Net gains on investments in associates and joint ventures	**514**	**0.20**	**44.38**
Other operating income	**29,141**	**11.20**	**9.64**
Total net operating incomes	**260,269**	**100.00**	**0.87**

(2) Net interest income

During the Reporting Period, the Group's net interest income increased by 5.709 billion on a year-on-year basis to 169.832 billion, accounting for 65.25% of the net operating income, which was a major component of the Group's income. During the Reporting Period, the Group strengthened portfolio management of assets and liabilities, optimised assets business structure, and improved cost control of liabilities. The year-on-year decrease of interest expense was greater than that of interest income, and the overall net interest income rose year-on-year.

FINANCIAL STATEMENT ANALYSIS

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

(in millions of RMB unless otherwise stated)

	2024			2023		
	Average Balance	**Interest income (expense)**	**Average rate of return/ (cost) (%)**	Average Balance	Interest income (expense)	Average rate of return/ (cost) (%)
Assets						
Cash and balances with central banks	**739,813**	**11,530**	**1.56**	797,412	12,393	1.55
Due from and placements with banks and other financial institutions	**973,324**	**30,024**	**3.08**	961,887	29,671	3.08
Loans and advances to customers	**8,264,873**	**298,120**	**3.61**	7,741,769	306,150	3.95
Investment securities	**3,427,644**	**112,038**	**3.27**	3,324,985	111,647	3.36
Interest-bearing assets	**13,405,654**	**451,712**	**3.37**	12,826,053	459,861	3.59
Non-interest-bearing assets	**985,272**			1,046,013		
Total assets	**14,390,926**			13,872,066		
Liabilities and Shareholders' Equity						
Deposits from customers	**8,387,328**	**178,111**	**2.12**	8,277,139	192,982	2.33
Due to and placements from banks and other financial institutions	**2,355,170**	**56,063**	**2.38**	2,177,034	55,150	2.53
Debt securities and others	**1,747,045**	**47,706**	**2.73**	1,637,098	47,606	2.91
Interest-bearing liabilities	**12,489,543**	**281,880**	**2.26**	12,091,271	295,738	2.45
Share-holders' equity and non-interest-bearing liabilities	**1,901,383**			1,780,795		
Total liabilities and shareholders' equity	**14,390,926**			13,872,066		
Net interest income		**169,832**			164,123	
Net interest spread[1]			**1.11**			1.14
Net interest margin[2]			**1.27**			1.28

Notes:

1. Represented the difference between the average rate of return on total average interest-bearing assets and the average rate of cost of total average interest-bearing liabilities.
2. Represented the ratio of net interest income to total average interest-bearing assets.

During the Reporting Period, the Group's net interest income increased by 3.48% on a year-on-year basis. The net interest spread was 1.11%, representing a decrease of 3 basis points on a year-on-year basis. The net interest margin was 1.27%, representing a decrease of 1 basis point on a year-on-year basis.

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

	2024			
(%)	**January – March**	**April – June**	**July – September**	**October – December**
Net interest spread	**1.10**	**1.14**	**1.11**	**1.10**
Net interest margin	**1.27**	**1.30**	**1.26**	**1.24**

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

(in millions of RMB)

	Comparison between 2024 and 2023 Increase/(Decrease) due to		
	Amount	**Interest rate**	**Net increase/ (decrease)**
Interest-bearing assets			
Cash and balances with central banks	(893)	30	(863)
Due from and placements with banks and other financial institutions	353	–	353
Loans and advances to customers	20,663	(28,693)	(8,030)
Investment securities	3,449	(3,058)	391
Changes in interest income	23,572	(31,721)	(8,149)
Interest-bearing liabilities			
Deposits from customers	2,567	(17,438)	(14,871)
Due to and placements from banks and other financial institutions	4,507	(3,594)	913
Debt securities and others	3,199	(3,099)	100
Changes in interest expenses	10,273	(24,131)	(13,858)
Changes in net interest income	13,299	(7,590)	5,709

During the Reporting Period, the Group's net interest income increased by 5.709 billion on a year-on-year basis. Within this total, changes in the average balances of assets and liabilities increased net interest income by 13.299 billion, while changes in the average rate of return and average rate of cost decreased net interest income by 7.590 billion.

① Interest Income

During the Reporting Period, the Group's interest income decreased by 8.149 billion or 1.77% on a year-on-year basis to 451.712 billion, of which interest income from loans and advances to customers, investment securities and cash and balances with central banks accounted for 66.00%, 24.80% and 2.55% of total interest income, respectively.

A. Interest income from loans and advances to customers

Interest income from loans and advances to customers was the largest component of the Group's interest income. During the Reporting Period, interest income from loans and advances to customers decreased by 8.030 billion or 2.62% on a year-on-year basis to 298.120 billion, which was mainly due to the year-on-year decrease of 34 basis points in the annualised average rate of return of loans and advances to customers.

FINANCIAL STATEMENT ANALYSIS

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

(in millions of RMB unless otherwise stated)

	2024			2023		
	Average balance	**Interest income**	**Average rate of return (%)**	Average Balance	Interest income	Average rate of return (%)
Corporate loans	**5,425,964**	**192,678**	**3.55**	5,087,425	195,477	3.84
– Short-term loans	**1,558,124**	**49,461**	**3.17**	1,555,006	51,896	3.34
– Medium and long-term loans	**3,867,840**	**143,217**	**3.70**	3,532,419	143,581	4.06
Personal loans	**2,549,988**	**101,707**	**3.99**	2,378,156	106,798	4.49
– Short-term loans	**606,241**	**26,692**	**4.40**	597,220	28,096	4.70
– Medium and long-term loans	**1,943,747**	**75,015**	**3.86**	1,780,936	78,702	4.42
Discounted bills	**288,921**	**3,735**	**1.29**	276,188	3,875	1.40
Total loans and advances to customers	**8,264,873**	**298,120**	**3.61**	7,741,769	306,150	3.95

B. Interest income from investment securities

During the Reporting Period, interest income from investment securities increased by 0.391 billion or 0.35% on a year-on-year basis to 112.038 billion, which was mainly due to the year-on-year increase by 102.659 billion or 3.09% in the average balance of investment securities.

C. Interest income from cash and balances with central banks

The cash and balances with central banks mainly included balances in statutory reserves and excess reserves. During the Reporting Period, interest income from cash and balances with central banks decreased by 863 million or 6.96% on a year-on-year basis to 11.530 billion, which was mainly due to the year-on-year decrease by 57.599 billion or 7.22% in the average balance of funds due from and loans to banks.

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

During the Reporting Period, the interest income from balances due from and placements with banks and other financial institutions increased by 0.353 billion or 1.19% on a year-on-year basis to 30.024 billion, which was mainly due to an increase by 11.437 billion or 1.19% on the year-on-year in the average balance of funds due from and loans to banks and other financial institutions.

② **Interest expenses**

During the Reporting Period, the Group's interest expenses decreased by 13.858 billion or 4.69% on a year-on-year basis to 281.880 billion.

A. Interest expenses on deposits from customers

Deposits form customers is the Group's primary funding source. During the Reporting Period, interest expenses on deposits from customers decreased by 14.871 billion or 7.71% on a year-on-year basis to 178.111 billion, accounting for 63.19% of total interest expenses.

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

(in millions of RMB unless otherwise stated)

	2024			2023		
	Average Balance	Interest expense	Average rate of cost (%)	Average Balance	Interest expense	Average rate of cost (%)
Corporate deposits	**4,863,879**	**101,250**	**2.08**	5,060,932	116,680	2.31
– Demand deposits	**1,852,363**	**17,534**	**0.95**	1,951,091	21,619	1.11
– Time deposits	**3,011,516**	**83,716**	**2.78**	3,109,841	95,061	3.06
Personal deposits	**3,523,449**	**76,861**	**2.18**	3,216,207	76,302	2.37
– Demand deposits	**861,231**	**1,623**	**0.19**	819,659	1,947	0.24
– Time deposits	**2,662,218**	**75,238**	**2.83**	2,396,548	74,355	3.10
Total deposits from customers	**8,387,328**	**178,111**	**2.12**	8,277,139	192,982	2.33

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

During the Reporting Period, interest expenses on balances due to and placements from banks and other financial institutions increased by 0.913 billion or 1.66% on a year-on-year basis to 56.063 billion, which was mainly due to a year-on-year increase by 178.136 billion or 8.18% in the average rate of cost of balances due to and placements from banks and other financial institutions.

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

During the Reporting Period, interest expenses on debt securities issued and other interest-bearing liabilities increased by 0.100 billion or 0.21% on a year-on-year basis to 47.706 billion, which was mainly due to a year-on-year increase by 109.947 billion or 6.72% in the average balance of debt securities issued and others.

(3) Net fee and commission income

The net fee and commission income is an important part of the Group's net operating income. During the Reporting Period, the Group's net fee and commission income decreased by 6.090 billion or 14.16% on a year-on-year basis to 36.914 billion, among which the bank card revenues decreased by 3.936 billion or 20.98% on a year-on-year basis due to residents' insufficient willingness to consume and active optimization of customer structure, and Agency services revenues decreased by 1.772 billion or 33.60% on a year-on-year basis due to policy factors of fee rate reduction.

FINANCIAL STATEMENT ANALYSIS

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

(in millions of RMB unless otherwise stated)

	2024	2023	Increase/ (decrease) (%)
Bank cards	14,826	18,762	(20.98)
Wealth management business	7,764	7,808	(0.56)
Custody and other fiduciary businesses	7,667	8,004	(4.21)
Agency services	3,502	5,274	(33.60)
Investment banking	2,316	2,521	(8.13)
Guarantee and commitment	3,202	3,201	0.03
Settlement services	1,504	1,375	9.83
Others	137	203	(32.51)
Total fee and commission income	40,918	47,148	(13.21)
Less: fee and commission expense	(4,004)	(4,144)	(3.38)
Net fee and commission income	36,914	43,004	(14.16)

(4) Other non-interest income

The structure of the Group's other non-interest income for the periods indicated is shown below:

(in millions of RMB unless otherwise stated)

	2024	2023	Increase/ (decrease) (%)
Net gains arising from trading activities	21,919	23,224	(5.62)
Net gains arising from financial investments	1,949	727	168.09
Net gains on investments in associates and joint ventures	514	356	44.38
Other operating income	29,141	26,580	9.64
Total other non-interest income	53,523	50,887	5.18

During the Reporting Period, the Group recorded other non-interest income of 53.523 billion, representing an increase of 2.636 billion on a year-on-year basis of which net gains arising from trading activities amounted to 21.919 billion, representing a decrease of 1.305 billion or 5.62% on a year-on-year basis, on the one hand mainly attributable to the impact of market fluctuations, gains and losses related to equity valuation, bonds and interest rate derivatives increased year on year. On the other hand, the increase in swap business scale led to the year-on-year increase in foreign exchange loss.

(5) Operating expenses

During the Reporting Period, the Group's operating expenses increased by 0.318 billion or 0.41% on a year-on-year basis to 77.687 billion. The Group's cost-to-income ratio was 29.90%, representing a year-on-year decrease of 0.14 percentage point.

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

(in millions of RMB unless otherwise stated)

	2024	2023	Increase/ (decrease) (%)
Staff remuneration, bonus, allowance and welfare	**28,349**	27,797	1.99
Other staff costs	**13,971**	13,295	5.08
Operating expenses	**25,455**	26,750	(4.84)
Depreciation and amortization	**9,912**	9,527	4.04
Total operating expenses	**77,687**	77,369	0.41

(6) Asset impairment losses

During the Reporting Period, the Group's asset impairment losses were 54.207 billion, representing a year-on-year decrease of 3.763 billion or 6.49%, of which the credit impairment losses on loans decreased by 4.111 billion or 7.59% on a year-on-year basis to 50.026 billion. The Group continued to comply with the Implementation Measures for the Management of Expected Credit Losses in Commercial Banks, fully assessed the potential risks of customers, and dynamically updated the impairment model's parameters to fully reflect the impact of forward-looking information on expected credit losses. At the same time, in recent years, the Group continuously consolidated the quality of its assets and made reasonable provisions, with a view to maintaining sufficient risk mitigation and loss absorption capabilities.

(7) Income tax

During the Reporting Period, the Group's income tax expenses increased by 2.800 billion or 43.44% on a year-on-year basis to 9.246 billion. The effective tax rate of 8.94% was lower than the statutory tax rate of 25%, which was mainly due to the tax exemption on interest income from treasury bonds and local treasury bonds held by the Group pursuant to the relevant tax provisions.

2. Analysis on Key Balance Sheet Items

(1) Assets

As at the end of the Reporting Period, the Group's total assets increased by 840.245 billion or 5.98% over the end of the previous year to 14,900.717 billion, which was mainly due to the increase in the scale of loans and advances to customers.

FINANCIAL STATEMENT ANALYSIS

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

(in millions of RMB unless otherwise stated)

	31 December 2024		31 December 2023		31 December 2022	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Loans and advances to customers	8,351,131	56.05	7,772,060	55.28	7,135,454	54.93
Financial investments	4,320,089	28.99	4,104,142	29.19	3,955,207	30.44
Cash and balances with central banks	717,354	4.81	898,022	6.39	806,102	6.20
Due from and placements with banks and other financial institutions	974,042	6.54	859,642	6.11	690,421	5.31
Others	538,101	3.61	426,606	3.03	404,387	3.12
Total assets	14,900,717	100.00	14,060,472	100.00	12,991,571	100.00

① Loans and advances to customers

During the Reporting Period, the Group resolutely implemented the decisions and deployment of the Central Committee of the Communist Party of China, continued to increase financial supply, dynamically adjusted business strategy, effectively enhanced the accuracy and consistency of policies, fulfilled the responsibility of big business in helping the economy recover and become better, and achieved reasonable growth in the amount and effective improvement in the quality of credit delivery. As at the end of the Reporting Period, the Group's loans and advances to customers increased by 598.037 billion or 7.52% over the end of the previous year to 8,555.122 billion.

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

(in millions of RMB unless otherwise stated)

	31 December 2024		31 December 2023		31 December 2022	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	5,566,578	65.07	5,179,533	65.09	4,711,353	64.58
– Short-term loans	1,611,541	18.84	1,496,422	18.81	1,438,252	19.72
– Medium and long-term loans	3,955,037	46.23	3,683,111	46.28	3,273,101	44.86
Personal loans	2,752,406	32.17	2,473,100	31.08	2,365,317	32.43
– Mortgage	1,466,604	17.14	1,462,634	18.39	1,512,648	20.74
– Credit cards	538,404	6.29	489,725	6.15	477,746	6.55
– Personal business loans	413,626	4.83	343,585	4.32	271,660	3.72
– Personal consumption loans	330,260	3.86	173,423	2.18	99,289	1.36
– Others	3,512	0.05	3,733	0.04	3,974	0.06
Discounted bills	236,138	2.76	304,452	3.83	218,295	2.99
Total	8,555,122	100.00	7,957,085	100.00	7,294,965	100.00

The corporate loan balance was 5,566.578 billion, representing an increase of 387.045 billion or 7.47% over the end of the previous year, among which, short-term loans increased by 115.119 billion, and medium and long-term loans increased by 271.926 billion.

The personal loan balance was 2,752.406 billion, representing an increase of 279.306 billion or 11.29% over the end of the previous year, among which, mortgage loans increased by 3.970 billion or 0.27% over the end of the previous year, credit card loans increased by 48.679 billion or 9.94% over the end of the previous year, personal business loans increased by 70.041 billion or 20.39% over the end of the previous year, and personal consumption loans increased by 156.837 billion or 90.44% over the end of the previous year.

The balance of Discounted bills was 236.138 billion, decreased by 68.314 billion or 22.44% over the end of the previous year.

Distribution of loans and advances to customers by security types

(In millions of RMB unless otherwise stated)

	31 December 2024		31 December 2023	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Unsecured loans	**3,308,339**	**38.67**	2,883,274	36.23
Guaranteed loans	**1,419,438**	**16.59**	1,288,963	16.20
Loans secured by collateral	**2,733,002**	**31.95**	2,904,861	36.51
Pledged loans	**1,094,343**	**12.79**	879,987	11.06
Total	**8,555,122**	**100.00**	7,957,085	100.00

Expected credit loss allowance for loans and advances to customers

(in millions of RMB)

	31 December 2024	31 December 2023
Balance at the end of the previous year	**206,309**	178,019
Accrual/(Reversal) in the period	**50,026**	54,137
Write-offs and disposals in the period	**(36,284)**	(31,099)
Recovered after written-off	**6,198**	5,679
Other movements	**(724)**	(427)
Balance at the end of the period	**225,525**	206,309

FINANCIAL STATEMENT ANALYSIS

② Financial investments

As at the end of the Reporting Period, the Group's net balance of financial investments increased by 215.947 billion or 5.26% over the end of the previous year to 4,320.089 billion.

The breakdown of investments by nature

(in millions of RMB unless otherwise stated)

	31 December 2024		31 December 2023	
	Balance	Proportion (%)	Balance	Proportion (%)
Bonds	3,857,045	89.28	3,618,639	88.17
Equity instruments and others	463,044	10.72	485,503	11.83
Total	4,320,089	100.00	4,104,142	100.00

The breakdown of investments by the presentation basis of financial statements

(in millions of RMB unless otherwise stated)

	31 December 2024		31 December 2023	
	Balance	Proportion (%)	Balance	Proportion (%)
Financial investments at fair value through profit and loss	656,152	15.19	642,282	15.65
Financial investments at amortised cost	2,581,793	59.76	2,573,911	62.71
Financial investments at fair value through other comprehensive income	1,082,144	25.05	887,949	21.64
Total	4,320,089	100.00	4,104,142	100.00

As at the end of the Reporting Period, the balance of the Group's bonds investments increased by 238.406 billion or 6.59% over the end of the previous year to 3,857.045 billion. In the future, the Group will reinforce the research and judgment of the economic and financial situation, focus on the incremental allocation and stock optimisation of securities investment. First, maintain the overall strategy focusing on interest rate debt investment, and make investment arrangements for national debt and local bonds. The second is to strengthen the research and judgment on the trend of the credit bond market, improve the credit risk pricing ability, focus on the "five priorities" of finance, and tilt resources to major national strategies and key fields. Third, the Group will increase the flow of bond transactions and continue to provide liquidity for the bond market. The fourth is to timely carry out foreign currency bond investment, focus on key areas such as "going global" and the "Belt and Road" strategy, make good arrangements for foreign currency bond investment at the right time, and continue to optimise the investment structure.

Bond investment structure by issuer

(in millions of RMB unless otherwise stated)

	31 December 2024 Balance	31 December 2024 Proportion (%)	31 December 2023 Balance	31 December 2023 Proportion (%)
Government and central banks	**3,118,942**	**80.86**	2,836,600	78.38
Public sector entities	**29,974**	**0.78**	35,653	0.99
Interbank institutions and other financial institutions	**504,458**	**13.08**	549,166	15.18
Corporate entities	**203,671**	**5.28**	197,220	5.45
Total	**3,857,045**	**100.00**	3,618,639	100.00

As at the end of the Reporting Period, financial bonds held by the Group amounted to 504.458 billion, including bonds issued by policy banks of 90.526 billion and by interbank institutions and non-bank financial institutions of 413.932 billion, which accounted for 17.95% and 82.05%, respectively.

Top 10 financial bonds held by the Group

(in millions of RMB unless otherwise stated)

Bond name	Face value	Annual interest rate (%)	Maturity date	Impairment allowance[Note]
Policy Bank Bond issued in 2017	**6,336**	**4.39**	**08/09/2027**	**–**
Policy Bank Bond issued in 2018	**5,297**	**4.98**	**12/01/2025**	**–**
Commercial Bank Bond issued in 2024	**4,683**	**2.05**	**23/09/2029**	**–**
Commercial Bank Bond issued in 2024	**3,745**	**2.07**	**30/07/2029**	**–**
Policy Bank Bond issued in 2022	**3,482**	**SOFR+1.06**	**29/09/2027**	**–**
Commercial Bank Bond issued in 2023	**3,084**	**2.70**	**23/11/2026**	**–**
Commercial Bank Bond issued in 2024	**3,000**	**2.15**	**10/12/2034**	**–**
Policy Bank Bond issued in 2024	**2,982**	**1.80**	**23/07/2027**	**–**
Commercial Bank Bond issued in 2024	**2,963**	**2.47**	**29/03/2029**	**–**
Policy Bank Bond issued in 2018	**2,891**	**4.88**	**09/02/2028**	**–**

Note: Excluding the provision for impairment in the stage 1 withdrawn according to the expected credit loss model.

③ Foreclosed asset

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

(in millions of RMB)

	31 December 2024	31 December 2023
Original value of foreclosed assets	**956**	1,384
Less: Impairment allowance	**(433)**	(439)
Net value of foreclosed assets	**523**	945

FINANCIAL STATEMENT ANALYSIS

(2) Liabilities

During the Reporting Period, the Group conscientiously implemented the requirements of the “six characteristics”[1] of liability quality management. The overall liability business was steadily developed. With the aim of ensuring the security, liquidity and efficiency of its operation, the Group continued to optimise and improve the liability quality management system that was suited with the size and complexity of its liabilities in accordance with the principle of adapting to the business strategy, risk appetite and overall business characteristics. The Group constantly consolidate customer basis, increase the expansion of customer deposits, improve the ability to obtain funds through multiple channels, continue to optimise the debt structure, reasonably control the cost of debt, strengthen the monitoring and analysis of liability quality, and improve the capability and level of liability quality management.

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

(in millions of RMB unless otherwise stated)

	31 December 2024		31 December 2023		31 December 2022	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Deposits from customers	**8,800,335**	**64.03**	8,551,215	65.98	7,949,072	66.47
Due to and placements from banks and other financial institutions	**2,431,451**	**17.69**	2,424,537	18.71	2,034,894	17.02
Certificates of deposits issued	**1,384,372**	**10.07**	1,027,461	7.93	1,092,366	9.13
Debt securities issued	**691,248**	**5.03**	592,175	4.57	530,861	4.44
Others	**437,714**	**3.18**	365,634	2.81	350,856	2.94
Total liabilities	**13,745,120**	**100.00**	12,961,022	100.00	11,958,049	100.00

As at the end of the Reporting Period, the Group’s total liabilities increased by 784.098 billion or 6.05% over the end of the previous year to 13,745.120 billion. Among them, deposits from customers increased by 249.120 billion or 2.91% over the end of the previous year, which accounted for 64.03% of total liabilities and represented a decrease of 1.95 percentage points over the end of the previous year; the balance of due to and placements from interbank institutions and other financial institutions increased by 6.914 billion or 0.29% over the end of the previous year, which accounted for 17.69% of total liabilities and represented a decrease of 1.02 percentage point over the end of the previous year.

Deposits from customers

Deposits from customers is the Group’s major funding source. As at the end of the Reporting Period, the Group’s balance of deposits from customers increased by 249.120 billion or 2.91% over the end of the previous year to 8,800.335 billion. In terms of customer structure, the proportion of corporate deposits was 55.68% representing a decrease of 3.28 percentage points over the end of the previous year, while the proportion of personal deposits was 42.38%, representing an increase of 3.11 percentage points over the end of the previous year. In terms of deposit tenure, the proportion of demand deposits decreased by 1.25 percentage points over the end of the previous year to 33.08%, while the proportion of time deposits increased by 1.08 percentage points over the end of the previous year to 64.98%.

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

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

(in millions of RMB unless otherwise stated)

	31 December 2024		31 December 2023		31 December 2022	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits	**4,900,260**	**55.68**	5,041,991	58.96	4,877,033	61.36
– Demand deposits	**1,961,964**	**22.29**	2,050,524	23.98	1,989,383	25.03
– Time deposits	**2,938,296**	**33.39**	2,991,467	34.98	2,887,650	36.33
Personal deposits	**3,729,547**	**42.38**	3,358,156	39.27	2,955,724	37.18
– Demand deposits	**949,259**	**10.79**	884,746	10.35	885,013	11.13
– Time deposits	**2,780,288**	**31.59**	2,473,410	28.92	2,070,711	26.05
Other deposits	**3,436**	**0.04**	3,240	0.04	4,227	0.05
Accrued interest	**167,092**	**1.90**	147,828	1.73	112,088	1.41
Total	**8,800,335**	**100.00**	8,551,215	100.00	7,949,072	100.00

(3) Off-balance sheet items

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

The Group mainly entered into derivative financial instruments for the purpose of transaction, hedging, asset liability management and agency. The derivative financial instruments of the Group include interest rate contracts, exchange rate contracts, precious metals and commodity contracts. Please refer to "Note 18. to the Consolidated Financial Statements: Derivative Financial Instruments" for the details of nominal amount and fair value of the derivative financial instruments.

The Group's contingencies and commitments mainly included outstanding litigations, credit related commitments and financial guarantees, capital expenditure commitments, operating leasing commitments, commitments on security underwriting and bond acceptance. Please refer to "Note 37. to the Consolidated Financial Statements: Contingencies" for the details of contingencies, and "Note 38. to the Consolidated Financial Statements: Commitments" for the details of commitments.

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

3. Analysis on Key Cash Flow Items

As at the end of the Reporting Period, the balance of Group's cash and cash equivalents decreased by 113.511 billion over the end of the previous year to 161.950 billion.

The net cash outflow from operating activities increased by 194.671 billion on a year-on-year basis to 57.348 billion, which was mainly due to the net cash outflow from borrowing from the Central Bank and other liquidity management tools, compared with a net cash inflow last year.

The net cash outflow from investing activities decreased by 18.534 billion on a year-on-year basis to 98.089 billion, which was mainly due to the increase in net cash inflow from investment of bonds.

The net cash inflow from financing activities increased by 37.632 billion on a year-on-year basis to 42.520 billion, which was mainly due to the increase in net cash inflow from issuance and redemption of bonds.

FINANCIAL STATEMENT ANALYSIS

4. Segment Analysis

(1) Operating results by geographical segments

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

(in millions of RMB unless otherwise stated)

	2024				2023			
	Profit before tax	Proportion (%)	Net operating income[1]	Proportion (%)	Profit before tax	Proportion (%)	Net operating income[1]	Proportion (%)
Yangtze River Delta	41,337	39.95	95,423	36.66	49,112	49.26	93,094	36.08
Pearl River Delta	9,174	8.87	25,281	9.71	9,215	9.24	25,860	10.02
Bohai Rim Economic Zone	20,774	20.08	33,436	12.85	22,213	22.28	32,308	12.52
Central China	21,197	20.48	37,080	14.25	22,586	22.65	38,636	14.98
Western China	16,225	15.68	23,448	9.01	10,145	10.18	24,138	9.36
North Eastern China	5,631	5.44	7,861	3.02	3,567	3.58	7,829	3.03
Overseas	11,601	11.21	18,762	7.21	5,948	5.97	17,761	6.88
Head Office[2]	(22,464)	(21.71)	18,978	7.29	(23,088)	(23.16)	18,388	7.13
Total[3]	103,475	100.00	260,269	100.00	99,698	100.00	258,014	100.00

Notes:

1. Including net interest income, net fee and commission income, net gains/(losses) arising from trading activities, net gains/(losses) arising from financial investments, net gains/(losses) on investments in associates and joint ventures as well as and other income. Same applies hereinafter.
2. Including the Pacific Credit Card Centre. Same applies hereinafter.
3. Including profit/(loss) attributable to non-controlling interests.
4. The comparative information was prepared in accordance with the categorisation of the current period since the assessment rules of the income and expense distribution between various business segments have been adjusted.

(2) Deposits and loans and advances by geographical segments

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

(in millions of RMB unless otherwise stated)

	31 December 2024		31 December 2023	
	Loans and advances balances	Proportion (%)	Loans and advances balances	Proportion (%)
Yangtze River Delta	2,432,084	28.43	2,226,422	27.98
Pearl River Delta	1,115,864	13.04	1,051,204	13.21
Bohai Rim Economic Zone	1,406,292	16.44	1,288,078	16.19
Central China	1,370,600	16.03	1,290,880	16.22
Western China	1,024,200	11.97	947,510	11.91
North Eastern China	274,860	3.21	265,215	3.33
Overseas	329,666	3.85	359,446	4.52
Head Office	601,556	7.03	528,330	6.64
Total	8,555,122	100.00	7,957,085	100.00

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

(in millions of RMB unless otherwise stated)

	31 December 2024		31 December 2023	
	Deposit balances	**Proportion (%)**	Deposit balances	Proportion (%)
Yangtze River Delta	**2,433,080**	**27.65**	2,363,907	27.64
Pearl River Delta	**1,037,123**	**11.79**	1,057,766	12.37
Bohai Rim Economic Zone	**1,892,633**	**21.51**	1,825,945	21.35
Central China	**1,436,159**	**16.31**	1,365,881	15.99
Western China	**913,041**	**10.37**	894,662	10.46
North Eastern China	**441,464**	**5.02**	426,274	4.98
Overseas	**476,226**	**5.41**	465,463	5.44
Head Office	**3,517**	**0.04**	3,489	0.04
Accrued interest	**167,092**	**1.90**	147,828	1.73
Total	**8,800,335**	**100.00**	8,551,215	100.00

(3) Operating results by business segments

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

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

(in millions of RMB unless otherwise stated)

	2024		2023	
	Amount	**Proportion (%)**	Amount	Proportion (%)
Net operating income	**260,269**	**100.00**	258,014	100.00
Corporate banking	**125,958**	**48.40**	126,485	49.02
Personal banking	**102,636**	**39.43**	108,465	42.04
Treasury businesses	**30,688**	**11.79**	22,431	8.69
Other businesses	**987**	**0.38**	633	0.25
Profit before tax	**103,475**	**100.00**	99,698	100.00
Corporate banking	**60,586**	**58.55**	51,398	51.56
Personal banking	**19,197**	**18.55**	32,980	33.08
Treasury businesses	**23,164**	**22.39**	15,246	15.29
Other businesses	**528**	**0.51**	74	0.07

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

BUSINESS REVIEW

III. BUSINESS REVIEW

1. Development Strategies and Implementation

Guided by the strategic goal of "building a world-class banking group with distinctive advantages, the Group deeply grasped the political and popular nature of financial work, gave full play to the role of state-owned banks as the main force in serving the real economy, established and improved the system and mechanism of the "five priorities" in finance, optimized the financial products and services of "five priorities" in finance, deepened business characteristics in implementing the "five priorities" in finance, gave full play to "Shanghai Base" advantage, and continued to improve its comprehensive strength.

Sci-tech finance is one of the four business features of the Bank. During the Reporting Period, the Bank improved its top-level design, established the Technology Finance Committee, and established the four-tier organisational system covering the head office, branches (provincial), branches (municipal) and sub-branches, thereby forming a top-to-bottom promotional mechanism that connects the head office and branches and enables coordination between the parent bank and subsidiaries. The Bank took the following specific measures to improve its sci-tech finance business: optimising the credit product system; based on the different characteristics of enterprises in the start-up stage, growth stage and maturity stage, creating exclusive products to meet the credit financing needs of enterprises throughout their respective lifecycles; extending the "active credit extension" model across the whole bank; leveraging the Bank's "stocks, loans, debts, leases and trust" business to pool the resources of the entire group for the purposes of promoting business in existing and emerging technological innovation fields; implementing the "investments in early stage start-ups, investments in small enterprises, investments in enterprises with long-term strategies, and investments in hard technology-based enterprises" policy guidance; actively promoting the equity investment expansion pilot work of Financial Asset Investment Companies (AICs), which covers 18 pilot cities; and based on policy tools, making full use of refinancing business to provide support for technological innovation and transformation. As at the end of the Reporting Period, sci-tech enterprises credit customers increased by 45.37% over the end of the previous year; and strategic emerging industry loans, "SRDI (specialized, refined, differential, innovative)" small and medium-sized enterprises loans, and technology-based small and medium-sized enterprises loans increased by 9.05%, 64.5%, and 59.59%, respectively.

Green finance. The Bank focused on the goals of carbon peaking and carbon neutrality, building a beautiful China, promoting the comprehensive green transformation of economic and social development, and accelerating improvements to the green financial system. The Bank improved the governance structure of green finance; coordinated the promotion of green finance-related work; actively supporting green and low-carbon transformation in key areas and serving the construction of the modern energy system; actively serving the construction of clean energy, green low-carbon, and new infrastructure projects across the Belt and Road countries; steadily enriching green financial products and the green financial service system; propelling the implementation of featured business products and services such as sustainability-linked loans, green bonds, China Certified Emission Reduction (CCER) pledge financing, and eco-environment-oriented development (EOD) financing; strengthening the classified management and dynamic assessment of ESG, and incorporating it into the business management process and comprehensive risk management system; accelerating the innovation and development of transformation finance; and spearheading the formulation of the transformation finance catalogue for Shanghai's water transport industry. As at the end of the Reporting Period, the balance of green loans across the Bank was representing an increase of 8.58% over the last year. During the year, the Bank was awarded the title of "Best Financial Institution for Green Finance Cases in 2024 in Pudong" by GF60. In addition, the Bank was the only major state-owned bank selected as a pilot organisation for the carbon emission information disclosure programme for financial institutions.

Inclusive finance is one of the four business features of the Bank. During the Reporting Period, the Bank focused on pain points and difficulties to strengthen inclusive financial services and promote the high-quality development of inclusive finance. The Bank took the following specific measures to improve its inclusive finance business: deepening the reform of the structure of inclusive finance; establishing the "Inclusive Finance Digital Operations Centre" by special work teams; focusing on "Direct operation, Digital empowerment, and Burden reduction at the grassroots level", creating a digital business model integrating online and onsite operation, and promoting a high-quality development of inclusive finance; establishing special work teams at the levels of the head office, branches (provincial), branches (municipal), and sub-branches; taking the initiative to connect with the coordination mechanism of governments at all levels in an all-round way; promoting the "visiting thousands of enterprises and thousands of households" initiative; continuing to increase financial support for private enterprises, small and micro enterprises and individual businesses; increasing first loans, renewal loans, credit loans, and medium and long-term loans; strengthening services for agriculture, rural areas and farmers to drive rural revitalisation; consolidating financial services for agricultural leaders and chain enterprises in the leading grain and seed industries; relying on digital empowerment to cultivate service characteristics; flexibly customising 40 featured, agricultural scenario-based products. The Bank earnestly fulfilled its responsibility for paired assistance, and in this regard, it has achieved the "outstanding" evaluation for six consecutive years. As at the end of the Reporting Period, the balance of inclusive loans for small and micro enterprises was representing an increase of 29.10%; and the balance of agricultural-related loans was representing an increase of 15.72%.

Pension finance. The Bank proactively supported the development of pension business and the silver economy, and comprehensively promote the coordinated development of the five major areas of pension industry finance, pension finance, pension wealth management, pension consumer finance, and aging financial services. The Bank optimised credit policies in the health industry, pension industry and silver economy, supporting the "government + guarantee + bank" financing service model; launching the "tranche loan for elderly care" business in Shanghai, fully promoting the use of inclusive re-lending policy tools for elderly care. In addition, the Bank provided a one-stop personal pension service system that features "account opening-funds deposit-product investments-comprehensive services", and the account size grows rapidly. The Bank continued to strengthen account management and custody services for the national social security fund, basic pension funds and enterprise (occupational) annuities, and ranking at the forefront of the industry in terms of the scale of the pension custody business. The Bank launched the product series of "Home Care Optimisation", 323 aging wealth management products were launched, offering all categories of product tiers for pension savings, funds, insurance and wealth management

BUSINESS REVIEW

products, ranking at the forefront of the industry in terms of total number of products. The Bank fully leveraged the advantages of integrated operations, and the management scale of pension target funds and the yield of our pension wealth management products remained remarkably strong. The Bank promoted elderly care service demonstration outlets; launched the "Care version" of BOCOM On-cloud online services to improve elderly-friendly facilities and services at our business outlets and relaxed the age limit for elderly people to apply for vehicle loans and credit cards. As at the end of the Reporting Period, the Bank's balance of loans for the elderly care industry was representing an increase of 38.84% from the beginning of the year.

Digital finance. From a strategic perspective, the Bank views the construction of a digital new bank as an important breakthrough. During the year, the Bank took the following specific measures to improve its digital finance business: deepening systematic mechanism reform, integrating the Digital Finance Committee from former FinTech and Product Innovation Committee and Digital Governance Management Committee (Financial Statistics Standardization) under the senior management, to strengthen the decision-making and organizational coordination of major digital finance issues. Proactively driving digital transformation, the Bank increased data source expansion while also integrating applications and enable accurate customer acquisition, financing credit enhancement, and risk measurement. The Bank will promote the large-scale and systematic application of artificial intelligence, and accelerate the release of human workload in areas such as anti money laundering, anti fraud, customer service, and centralized operation. The Bank apply virtual digital human technology, and improving online channel service capabilities through human-computer collaboration. deeply promoting the supply of digital financial products. The Bank launched the "BoCom Sci-tech Innovation", "Huimin Credit", "Benefit Business Loan", and the "BOCOM On-cloud", among other products. The Bank deeply promote ecosystem construction for digital financial scenarios and create a platform ecosystem that links government, businesses and consumers (G-B-C). The "BOCOM Government Connect" service brand now renders more than 2,000 government affairs-related service items. In addition, the Bank took the advantages of financial technology, export technology, platform and other service resources, and support digital transformation of enterprises, and small and medium-sized banks.

In addition, the Bank continued to create the characteristics of trade finance and wealth finance. For trade finance, the Group actively served the development of industrial chain supply chain and high-level opening to the outside world, optimised and strengthened trade financial products, and enhances the ability of the new development pattern of dual circulation of services. During the Reporting Period, the amount of trade finance increased by 31.76% year-on-year, the cross-border business income increased by 13.46% year-on-year, and the industrial chain financial business volume increased by 6.73% year-on-year. For wealth finance, the Group actively practiced the people-centred development idea, deeply integrated wealth finance and inclusive finance, improved the availability and coverage of wealth management services, made products with security, profitability and liquidity benefit customers, and better met the multi-level wealth management needs of the people. At the end of the Reporting Period, the balance of the Group's financial products increased by 27.65% compared with the end of the previous year, and the proportion of net worth financial products increased by 2.77 percentage points compared with the end of the previous year.

Leverage the Advantage of "Shanghai Base". Deeply integrate and serve the construction of Shanghai's "Five Centres", and support the Expo as a "Core Support Enterprise" for three consecutive years. The Group conformed to the development trend of new quality productivity, inaugurated Bank of Communications Technology Financial Centre (Zhangjiang) and continuously enriched the scientific innovation product system. The Group spared no effort to serve the construction of Shanghai's financial factor market. As the main enterprise in the blockchain financial field in Shanghai, the blockchain technology has been applied to the credit, cross-border trade, supply chain finance and other scenarios of technology-based enterprises. The agency clearing volume of the inter-bank market and the settlement volume of the securities and futures market remained at the forefront of the market, and the transactions of various inter-bank market segments remained at the forefront of the industry. The Group served the construction of Shanghai International Financial Centre and established a professional custody centre. For three consecutive years, The Group has participated in the "One Network All Services" of the Shanghai Municipal Government to further deepen the cooperation between government and banking projects. The "BOCOM Government Connect" service and online mortgage registration, which were first tried in Shanghai, have been replicated and promoted in many branches. The Group actively helped the construction of an international green financial hub, released the first order of Shanghai Pudong New Area climate investment and financing project library, continued to innovate transformation financial products, and implemented the first order of transformation loans for water transport industry, steel industry, chemical industry and other industries.

2. Corporate Banking Business

- Focusing on "five priorities" of finance, the Bank mainly served the real economy by promoting an increase in total credit allocation with an excellent structure. During the Reporting Period, the Group's corporate loan balance increased 387.045 billion or 7.47% over the end of the previous year, in which "SRDI (specialized, refined, differential, innovative)" small and medium-sized enterprises loans, green credit, and the agriculture-related loans of domestic banking institutions increased by 64.50%, 8.58% and 15.72%, respectively, all exceeding the average growth rate of the Group's loans.
- The Bank served national strategies and supported the development of key areas. As at the end of the Reporting Period, the balance of loans of three major regions including the Yangtze River Delta, the Guangdong-Hong Kong-Macau Greater Bay Area and the Beijing-Tianjin-Hebei Region increased by 7.85% over the end of the previous year, exceeding the average growth rate of the Group's loans by 0.33 percentage point. Balance of loans in these three major regions accounted for 54.01%, representing an increase of 0.17 percentage point over the end of the previous year.

(1) Customer development

The Bank continuously carried out the management of corporate customers by tiered classification and built a refined and professional service system. As at the end of the Reporting Period, the total number of corporate customers of domestic banking institutions increased by 6.68% over the end of the previous year.

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For group customers, the Bank increased its services and support for national strategies such as the building of a strong power in technology and finance, manufacturing, green development, digital economy and agriculture. It also committed to establishing a group-wide integrated and collaborative service system and continued to optimise customer service policies and credit procedures in order to improve service level and business synergy. At the end of the Reporting Period, the total number of group customers was 111,800, representing an increase of 14,300 over the end of last year. In terms of government institutions customers, the Bank actively participated in the construction of digital government and the process of digital transformation of cities, helped to provide convenient administrative services, and built a system of intelligent government products. As at the end of the Reporting Period, the number of government institutions customers reached 80,700, representing an increase of 3,725 over the end of the previous year. For small and micro basic customers, the Bank further implemented the strategy of "Internet Management, Online Management and Remote Management", and established a new generation for the call system, enhanced support for digital batch financial services, and improved the quality and efficiency of online-offline collaborative services. As at the end of the Reporting Period, the number of small and micro basic customers reached 2,560.7 thousand, representing an increase of 116 thousand over the end of the previous year.

(2) Scenario construction

The Bank intensively explored scenario construction through digital thinking, gaining noticeable achievements in subdivided scenarios such as medical care, industrial parks, central corporate treasury and interbank fund management. The "Credit for Medical Treatment" initiative has been launched in 97 cities, including Shanghai, Dalian, Guangzhou, Xiamen and Zibo, to solve the problem of queuing for medical treatment through the new model of "Treatment First and Payment Later". With the feature "fee collection" and "fee reconciliation" of Intelligent Financial Services Platform, scale effect has been formed in electricity payment, wholesale manufacturing, logistics leasing and other industries. The total number of customers exceeded 140 thousand, with a collection and settlement volume of 2.5 trillion, representing a year-on-year increase of 27.39%. Aiming at the capital supervision needs of government affairs, people's livelihood and other scenarios, the Bank launched BOCOM e-supervision digital integrated service platform to provide users with safe, flexible, accurate and efficient full cycle capital supervision services. The one-stop scenario scheme of "BOCOM dianwangtong" was launched to comprehensively serve the financial needs of power grid groups and up and down tourist groups in the links of power sales, electricians, power construction and power consumption with "financing+settlement", and 1,850 new customers were added, increasing by 43.19% year-on-year; The new issuance of financing increased by 89.18% year-on-year.

(3) Inclusive services for small and micro enterprises

The Bank continued to optimise its credit structure; increased investments in key areas such as small and micro first borrowers, technology-based small and micro enterprises, and rural revitalisation; and continued to expand the volume and scope of inclusive credit while improving quality and efficiency. The Bank also enriched its BoCom Zhanyetong and BoCom Yinongtong brands, and improved online access to the "Inclusive e-Loan" and "Xingnong e-Loan" series products, with a view to delivering standard online products and customised scenario products to customers. The Bank encouraged all employees to improve comprehensive inclusive services for small and micro customers and launched the innovative "Enterprise Mobile Banking Inclusive Edition 2.0". By continuing to integrate the development of inclusive finance and technology finance, the Bank created a special product system for small and micro technology-based enterprises and expanded the active credit extension service model. By accelerating digital empowerment, the Bank improved the digital risk control system, and strengthened post loan management and compliance management to firmly uphold the bottom line of risk.

At the end of the Reporting Period, the balance of inclusive loans provided to small and micro enterprises was 762.073 billion, representing an increase of 29.10% over the end of the previous year. The number of customers with loan balances was 416.2 thousand, representing an increase of 21.88% over the end of the previous year. The accumulated average interest rate of inclusive loans provided to small and micro enterprises was 3.23%, representing a year-on-year decrease of 20 basis points. Non-performing loan ratio of inclusive loans provided to small and micro enterprises was 0.98%, representing a decrease of 0.28 percentage point over the end of the previous year. Also, 2,777 business outlets of the Bank provided financing services for small and micro enterprises.

(4) Industrial chain financing services

Based on the needs of modern industrial system construction and development, the Group focused on key customer groups such as central state-owned enterprises, strategic customers and local leading enterprises, increased support in key areas such as manufacturing, scientific and technological innovation and green development, and helped the real economy strengthen the chain, supplement the chain and extend the chain. The Group increased the iterative optimisation and market promotion of the Bank's self-built "smart transaction chain" platform, continued to promote the docking with core enterprises and third-party supply chain platform systems, and created a digital scene service feature of industrial chain finance. The Group innovated the "second level" financing product line, enable technology to improve service efficiency, optimised customer experience, and enhanced the level of financial digitalization in the industrial chain. During the Reporting Period, the financial business volume of the industrial chain was 616.578 billion yuan, increasing by 6.73% year-on-year. There were 55,900 upstream and downstream enterprises in the service industry chain, increasing by 17.94% year-on-year.

(5) Sci-tech services

The Group actively connected with the strategy of strengthening the country through science and technology, made overall use of creditor's rights, equity and other means, provided full chain and life-cycle financial services for technology-based enterprises, and helped to form a virtuous circle of "Science and Technology-Industry-Finance". The Group focused on strategic emerging industries and future industrial development and optimised customer structure and asset structure. The Group focused on key customer groups such as high-tech enterprises, technology-based small and medium-sized enterprises, national single champion of manufacturing industry, "Little Giant" specializing in special innovation, small and medium-sized enterprises specializing in special innovation, and national technological innovation demonstration enterprises. The Group improved the four-level organizational structure of "headquarters and branches", innovated and developed the

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exclusive evaluation model of "1+N" scientific and technological enterprises, and enriched the product service system. At the end of the Reporting Period, the number of technology finance credit customers increased by 45.37% compared with the end of the previous year; The balance of loans to strategic emerging industries increased by 9.05% over the end of the previous year; There were 6,454 "Little Giant" enterprises specialized in service and new, with market coverage of 43.94% and loan balance increased by 55.12% compared with the end of last year.

(6) Investment banking

The Bank integrated into its offerings diversified investment and financing products such as domestic and overseas bonds, equities and M&A loans, and actively served technological innovation, green low-carbon, high-level opening up, and regional development strategies. During the Reporting Period, according to the National Association of Financial Market Institutional Investors (NAFMII), the scale of the Bank's bond underwriting (debt financing instruments for non-financial enterprises) reached 198.867 billion. The Bank provided sci-tech enterprises with various financing services, such as bond underwriting, M&A loans, equity investment and leases, amounting to 41.346 billion. By actively seizing opportunities presented by the equity investment expansion pilot policy for financial asset investment companies (AICs), the Bank achieved full coverage of contracted funds across the 18 pilot cities. In addition, by paying the subscribed capital contribution of 20 billion, the Bank participated in the investment and establishment of China Integrated Circuit Industry Investment Fund Phase III Co., Ltd., to drive the development of the country's integrated circuit industry. As a result of the Group's equity investment efforts, the Bank invested 3.8 billion in the integrated circuit industry, increasing by 18% year-on-year.

3. Personal Banking Businesses

- The personal deposits grew steadily, and the cost of deposits decreased continuously. As at the end of the Reporting Period, the balance of personal deposits amounted to 3,729.547 billion, representing an increase of 11.06% over the end of the previous year. During the Reporting Period, with optimising the deposit structure and strengthen pricing control, the interest payment cost ratio for RMB savings deposits of domestic banking institutions was 2.07%, representing a decrease of 21 basis points over the end of the previous year.
- Consumer loans maintained rapid development. The Bank prioritised the recovery and expansion of consumption, focused on the balanced development of "quantity, price and performance", and provided financial support for consumption. As at the end of the Reporting Period, the balance of personal loans amounted to 2,752.406 billion, representing an increase of 11.29% over the end of the previous year. Among them, the balance growth rate has been leading the industry for four consecutive years the share[2] of personal consumer loans of domestic banking institutions increased by 2.92 percentage points over the end of last year.
- The scale of the retail customer base continued to grow. The Bank strengthened hierarchical and classified operations for customers and promoted holistic "online + offline" scenarios to acquire and activate customers. As at the end of the Reporting Period, the number of retail customers of domestic institutions reached 199 million, and the number of middle and high-end customers exceeded 2.7505 million, representing an increase of 9.86% over the end of the previous year.

2 The proportion in 17 commercial banks, same applies hereinafter

(1) Retail customers and assets under management (AUM)

The Bank deepened hierarchical and classified operations for customers, and strengthened its use of digital marketing tools, so as to accurately identify and meet financial needs in different customer lifecycles and achieve omni-channel, full-chain, and full-journey marketing services. The Bank continued to improve the convenience, satisfaction and coverage of customer services, and optimised the customer structure. As a result, the scale of retail AUM climbed to a near three-year high. As at the end of the Reporting Period, the number of retail customers of domestic branches (including debit card and credit card customers) increased by 3.68% over the end of the previous year to 199 million. The number of qualified OTO Fortune customers increased by 9.77% over the end of the previous year to 2.6563 million. As at the end of the Reporting Period, the scale of AUM increased by 9.74% over the end of the previous year 5,489.325 billion.

(2) Wealth management

With a focus on improving customers' sense of gain, happiness and security in respect of investment, the Bank optimised its product review mechanism and its dynamic on- and off-shelf adjustment mechanism, improved its ability to select wealth products, and continued to build the "OTO Best Choice" product brand. The Bank improved its product system, added stable low volatility products and index products that meet the needs of customers, and took the lead among state-owned banks in introducing commercial pension insurance and family trust services. Additionally, the Bank strengthened its efforts in system construction and digital transformation, optimised the wealth channel of mobile banking, built a personal wealth management system, improved the after-sales service support system for personal wealth products, and enhanced customers' wealth journey experience. The Bank was pleased to see the "OTO Best Choice" product series outperform its market counterparts in 2024. As at the end of the Reporting Period, the balance of personal public funds products on consignment was 216.004 billion, the balance of personal wealth management products on consignment was 960.769 billion, and the balance of insurance products on consignment was 326.331 billion.

(3) Payment and Scenarios

The Bank supported the national plan to promote consumption by frequently collaborating with major online platforms to organise marketing activities in various scenarios, such as cultural tourism, trade-ins, supermarkets and catering. The Bank continued to provide "new citizens" with dual debit and credit cards, card-related benefits and exclusive related products. During the Reporting Period, a total of 1,998,000 debit cards were issued to new citizens.

The Bank continued to make payments more convenient, optimise the acceptance environment for international cards, and comprehensively improve the payment experience for foreigners. During the Reporting Period, the number of merchants that can accept foreign cards increased by 287.14%, compared with last year. In terms of transportation scenarios, the Bank supported transactions such as using international cards to book tickets online and make in-person in-flight purchases with large airlines such as China Eastern Airlines, China Southern Airlines and Shenzhen Airlines, supported the acceptance of international cards in subways in multiple regions such as Shanghai and Changzhou, and cooperated with leading online car-hailing platforms and new energy platforms to provide financial products and services for car owners. In terms of healthcare scenarios, the Bank cooperated with payment platforms to optimise service channels for medical credit products, with a view to making payment services more convenient, among 97 cities and almost 1,200 hospitals. In terms of educational scenarios, the Bank supported the use of international cards by foreign students to pay tuition fees in several colleges, and the Bank continued to provide agency settlement services and relevant value-added services for loans for impoverished college students granted by China Development Bank in 11 provinces (autonomous regions and municipalities), and the Bank has served more than 1 million students in two years.

(4) Personal loans

During the year, the Bank proactively supported the rigid and improved housing demand of residents, adhered to the dual-driver development model of new and second-hand homes, and constantly enriched online and digital functions across the entirety of its housing loan process. As at the end of the Reporting Period, the balance of personal loans amounted to 1,466.604 billion, representing an increase of 0.27% over the end of the previous year.

To serve the national strategy of supporting consumption and expanding domestic demand, the Bank actively promoted the implementation of trade-in policies, and innovated and iterated consumer financial products such as household consumption loans, so as to drive the expansion of personal consumption loans. The Bank pursued close, high-level cooperation with new energy vehicle brands, and granted more new energy vehicle loans, with a view to green finance and low-carbon consumption. As at the end of the Reporting Period, the balance of personal consumption loans was 330.260 billion, representing an increase of 90.44% over the end of the previous year.

By comprehensively upgrading the personal business loan product system and developing online digital business loan products, the Bank expanded the key areas covered by personal business loans so as to help business owners "expand operations, solve difficulties, reduce costs, and enjoy benefits". As at the end of the Reporting Period, the balance of personal business loans was 413.626 billion, representing an increase of 20.39% over the end of the previous year.

The Bank continuously consolidated the digital operation foundation of personal loans, and continued to strengthen the foundation of its enterprise level architecture, big data, and digital AI capabilities, so as to help break through product barriers and establish an integrated credit model for people. As part of our digital transformation, the Bank continuously improved service capabilities for small and micro businesses, farmers, new citizen groups, and scenarios related to people's livelihoods, promoted joint risk prevention and control, and improved the efficiency of centralised risk operations in respect of review and approval, post loan collection, and other processes.

(5) Private banking

The Bank improved the investment research driving mechanism, further demonstrated the leading role of investment strategy, continued to enrich product shelves, continuously enhanced product selection capability, and improved asset allocation service capability. In addition, the Bank organised private banking customer activities under the theme of promoting traditional culture and Chinese civilisation, with a view to meeting people's spiritual and cultural needs. For example, the Bank held customer activities such as "Cultural Continuity through the Past and Present", "Introduction to Famous Schools" and "Scholarly Jiaohang", which were warmly received. Meanwhile, the Bank held charity forums to promote the integrated development of "finance + charity", improve the charity service ecosystem and use wealth for the common good. During the year, the Bank improved the special service systems for Household trusts, Family trusts, Pension trusts, charitable trusts and other services, and the scale of the Bank's family wealth business increased by 43.56% from the beginning of the year. As at the end of the Reporting Period, there were 94,200 private banking customers of the Group, representing an increase of 12.71% over the end of the previous year; the assets of private banking customers under management of the Group were 1,295.6 billion, representing an increase of 11.07% over the end of the previous year.

(6) Credit cards

With the goal of "giving back to customers, building brands, and stimulating consumption", the Bank launched activities to promote instalment business such as "Benefiting Customers and Revitalising Consumption" and "Sharing Fun", and spending and cashback reward campaigns such as "That's the Way to Benefit". In addition, the bank continued to build the brand of "the Red Friday", focusing on the consumption scene just needed by the masses, and more than 1.8 million preferential customers throughout the year. As at the end of the Reporting Period, the balance of credit card loans of domestic banking institutions was 538.404 billion, representing an increase of 9.94% over the end of the previous year, among which, the balance of auto instalment loans increased by 67.416 billion or 240.10% over the end of the previous year. The number of credit cards registered by domestic banking institutions was 63,009,400. During the Reporting Period, the total consumption of credit cards reached 2,451.335 billion.

4. Interbank and Financial Market Businesses

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

(1) Inter-bank businesses

The Bank joined hands with its financial peers to create an ecosystem serving the real economy. The Bank continued to improve the quality and efficiency of financial infrastructure services, and the amount of agency clearing in the inter-bank market and settlement in the securities and futures market remained at the forefront of the market. The Bank vigorously improved the customer service ability of the securities market, carried out third-party depository business cooperation with 108 securities companies, and the growth rate of third-party depository customers ranked among the top state-owned big banks. The Bank strengthened the docking of digital RMB cooperative banks and realised the implementation of digital RMB application scenarios in government affairs, medical care, transportation, shopping and consumption and other livelihood fields.

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The Bank actively served the innovative development of the financial market. The Bank was the first bank to carry out foreign exchange transaction settlement business, helping the inter-bank foreign exchange market to improve operational efficiency, and was the first to carry out the clearing of central counterparties of standard interest rate derivatives to help manage the risk of the bond market. The Bank strengthened cooperation with domestic investors and market making quotation institutions of Bond Connect, optimised the agency clearing service of Bond Connect, and supported the interconnection of bond market.

(2) Financial market businesses

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

The Bank gave full play to its role as a leading state-owned bank, and proactively conducted market making, quotations, and trading to help shape the "Shanghai Price". During the Reporting Period, the trading volume of in RMB currency market amounted to 115.98 trillion; the trading volume of foreign currency amounted to USD738.8 billion, the trading volume of RMB bonds amounted to 6.44 trillion; the trading volume in interbank foreign exchange market amounted to USD4.20 trillion; the trading volume of self-operated gold amounted to 5,880 tons, maintaining its market position as an active trading bank.

The Bank closely supported the high-level opening up of finance, launched the first batch of RMB foreign exchange transactions in the inter-bank market free trade zone with the new function of "Northbound Swap Connect", participated in the first batch of differential delivery forward transactions between the US dollar and Indonesian rupee, Korean won, Brazilian real and other currencies in the trading centre, and launched the settlement and sales of foreign exchange to customers in Brazilian real, Hungarian forint, Polish zloty and other currencies in the counter market.

(3) Asset custody businesses

The Bank grasped the market trend, deepened the cooperation with excellent fund companies, promoted the layout of public fund custody products, and met the needs of residents' wealth management and asset allocation. The Bank consolidated and illustrated the advantages of pension trusteeship, continued to expand the coverage of pension trusteeship, and elaborated the pension finance. Also, the Bank focused on key areas and customers, enriched the private equity fund custody service chain, and helped the development of science and innovation enterprises. The Bank promoted the reform of the trusteeship system and mechanism, and further built the core competitiveness of trusteeship. At the end of the reporting period, the asset custody scale was 15.57 trillion.

5. Integrated operation

- The Group established development pattern with commercial banking business as the body, in close coordination and connection with other businesses including financial leasing, fund, wealth management, trust, insurance, overseas securities and debt-to-equity swap, so as to provide comprehensive financial services for customers.
- During the Reporting Period, net profits of subsidiaries[3] that are attributable to shareholders of the Bank amounted to 9.205 billion, the proportion of which to the Group's net profit was 9.84%. As at the end of the Reporting Period, total assets of the subsidiaries are 747.815 billion, the proportion of which to the total assets of the Group was 5.02%.

Bank of Communications Financial Leasing Co., Ltd. As the Bank's wholly owned subsidiary, the company was set up in December 2007 with a registered capital of 20.0 billion. The main business scope includes financing leasing and operating leasing in sectors such as aviation, shipping and energy power, transportation infrastructure, equipment manufacturing and livelihood services. The company is the Chief Administration Unit of the China Banking Association's (CBA) Financial Leasing Committee as well as the Chief Administration Unit of the Shanghai Banking Association's Financial Leasing Committee. The company adhered to the development strategy of "specialization, internationalization, differentiation and specialization", and deepened its efforts in shipping, aviation, equipment leasing and other business sectors. As at the end of the Reporting Period, total assets were 443.600 billion, and the balance of leasing assets was 397.752 billion. the balance of net assets was 49.204 billion. The company's total assets and scale of leased assets ranked first in the industry, and it owned and managed 471 ships and 157.056 billion in aircraft charter assets. The company was the largest leasing company in the domestic merchant fleet. The company also had a fleet of 298 planes and a balance of aviation leasing assets amounting to 100.580 billion. During the Reporting Period, the company generated operating revenue of 32.172 billion, representing a year-on-year increase of 9.69%; and net profit was 4.367 billion, representing a year-on-year increase of 9.02%. During the year, the company won 34 honours, including ranking first in the Top 10 in Ship Finance 2024 of Lloyd's List. In addition, the company's case – "Distributed Photovoltaic Exclusive Green Leasing Product – Youneng Leasing" – was included among the "Green Finance Cases" under the "2024 Innovative Practical Cases of Building a Financial Power" of People's Daily.

During the Reporting Period, the company made precise efforts to develop the "five priorities" of finance, invested 18.214 billion in technology leasing business, served 171 technology-based enterprises, and kicked off the first cross-border lease project for solar photovoltaic (SPV) computing equipment in the domestic financial leasing industry, so as to support the country's self-reliance in respect of high technology. The company promoted the creation of "digital chain rent", the first scientific and technological financial product integrated

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

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and coordinated by the Group, branches and subsidiaries. The company devised coordination plans for leasing business in key areas such as "green leasing" and new infrastructure construction and implemented green interaction projects totalling 20.645 billion. In order to serve the development of new quality productive forces, the Bank realised investment of 31.689 billion in new infrastructure and new energy leasing business and kicked off the first SPV new energy equipment leasing project in the domestic financial leasing industry. For the purpose of serving the country's "manufacturing power" strategy, the company successfully delivered its first C919 aircraft to China Southern Airlines, helping to build an "aviation power". As at the end of the Reporting Period, the balance of leased assets in the manufacturing industry was 32.811 billion, representing an increase of 26.80% over the end of the previous year. The company continued to deepen transformation and innovation. As at the end of the Reporting Period, operating lease assets accounted for 52.18% and direct lease business accounted for 56.15%; both of these figures represented improvements from the end of the previous year and made the company a leader in the industry.

Bank of Communications International Trust Co., Ltd. The company was set up in October 2007 with a registered capital of 5.765 billion, of which the Bank and Hubei Provincial Communications Investment Group Co., Ltd. Contributed 85% and 15% shares respectively. The main business scope includes trust loans, equity investment trusts, securities investment trusts, credit asset securitization, corporate asset securitization, qualified domestic institutional investor (QDII), family trusts, charitable trusts, etc. During the Reporting Period, the company adhered to the principle of stability, took the strategic goal of creating "the most trustworthy first-class trust company", accelerated the transformation and development, and deepened the synergy of the Group. As at the end of the Reporting Period, the total assets were 19.522 billion, the net assets were 16.896 billion and the assets under management of the company were 679.035 billion, representing an increase of 20.49% compared with last year. The company's net profit during the Reporting Period was 0.792 billion, representing an increase of 2.69% on a year-on-year basis. The company again won the "Integrity Trust • Excellent Company Award" from Shanghai Securities News, and its "Jiaoyin Guoxin • Fengyun No. 68 Actively Managed TOF Product" again won the "Golden Bull Award of the China Trust Industry" from China Securities Journal.

During the Reporting Period, the company actively implemented the regulatory requirements for the "three types of trusts", insisted on returning to its original mission, and seriously planned matters relating to the "five priorities" of finance. The company's investment in the Qi'an Phase II Fund was selected as the full lifecycle sci-tech innovation financial service product of Lujiazui Forum 2024, and the company also participated in the establishment of the Hubei Changjiang Jiaoying New Venture Capital Fund, which helped strengthen its sci-tech finance characteristics. New green bond investment in the primary market amounted to 1.465 billion, increasing by 28.73% year-on-year, reflecting the company's commitment to green finance. The company released the pension service trust plan: "Caring for Yourself Wisely while Honouring the Future", so as to enrich its pension financial services. It also implemented the first expressway Electronic Toll Collection (ETC) prepaid fund service trust in China to solve the problem of ETC handling for freight vehicles. The sustainable charitable trust

"Jiaoyin Guoxin•Tanxiang Care Social Charity Trust" was established, and a total of 28 charitable trusts were launched throughout the year to support rural revitalisation. Each of these trusts adheres to the principle of "trusts for the common good and trusts for the people", and they have been designed to serve people's needs for a better life.

Bank of Communications Schroder Fund Management Co., Ltd. The company was set up in August 2005 with a registered capital of 0.2 billion. It was jointly contributed by the Bank, Schroder Investment Management Limited and China International Marine Containers (Group) Co., Ltd., with the shares accounting for 65%, 30% and 5% respectively. The primary businesses include fund raising, fund sales and asset management. As at the end of the Reporting Period, the company's total assets were 8.384 billion, with an increase of 7.72% on a year-on-year basis, and net assets were and 7.135 billion, with an increase of 6.41% on a year-on-year basis, and the public fund under management reached 537.4 billion. The company's net profit during the Reporting Period was 0.879 billion.

The company continued to strengthen its investment and research capabilities. By focusing on customer needs and leveraging its own investment and research strengths, it formed a product system with clear risk return characteristics featuring equity investment, multi asset investment, fixed income investment, investment advisory strategy and other fields. In this way, it is building a first-class boutique fund company that upholds high-quality development and helping the Group deepen its wealth finance characteristics. During the Reporting Period, the company accelerated the deployment of passive index products to meet customers' asset allocation needs. Broad base index products of the company were included in the name of personal pension products and pension Y shares were added, making business preparations for pension finance and inclusive finance.

BOCOM Wealth Management Co., Ltd. As a wholly owned subsidiary of the Bank, the company was set up in June 2019 with a registered capital of 8.0 billion. It primarily issues wealth management products of fixed income, equity, commodities, financial derivatives and hybrid categories to customers. During the Reporting Period, the company adhered to the customer-centric and investor-oriented principles and adjusted the focus of product design and issuance in a timely manner. The company actively expanded consignment agencies outside the Bank, and the balance of products sold under consignment outside the Bank reached 931.634 billion, accounting for 57.58% of the balance of products. The company has preliminarily established an open and diversified omni-channel system with the Bank as the main body. As at the end of the Reporting Period, the balance of wealth management products increased by 31.39% over the end of the previous year to 1,617.970 billion; The company's total assets and net assets were 14.716 billion and 14.055 billion respectively. The company's net profit during the Reporting Period was 1.339 billion, indicating an increase of 8.02% on a year-on-year basis.

During the Reporting Period, the company full leveraged its licences and professional advantages, consolidated its position as a main supplier of wealth management products for the parent bank, and continued to enhance its value contribution to help the Group strengthen its wealth finance characteristics. As at the end of the Reporting Period, the Bank sold corporate wealth management products of 686.335 billion on a commission basis,

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representing an increase of 20.65% over the end of the previous year. During the year, the company improved the intra-group asset investment synergy mechanism, thereby effectively enhancing synergy and efficiency and raising customer loyalty. During the Reporting Period, the company participated in the bidding process for 927 bonds in the primary market that were recommended by the Bank, with a total bidding amount of 52.736 billion, increasing by 189% year-on-year. In collaboration with the Group, investment in non-standard assets reached 72.7 billion, increasing by 12.72% year-on-year.

BOCOM MSIG Life Insurance Company Limited. The company was set up in January 2010 with a registered capital of 5.1 billion, of which the Bank and the MS&AD Insurance Group contributed 62.50% and 37.50% shares respectively. The business scope includes life insurance, health insurance, accident insurance and reinsurance businesses of the aforementioned insurances in Shanghai as well as regions where its branches were established. As at the end of the Reporting Period, the company's total assets and net assets were 163.891 billion and 5.825 billion respectively. During the Reporting Period, the company focused on its main business – insurance – firmly followed the high-quality development path, took multiple measures to improve its core competitiveness, and achieved a cumulative income of 2.212 billion from insurance services, increasing by 52.72% year-on-year. Meanwhile, operating revenue was 7.955 billion, increasing by 31.63% year-on-year; and net profit was 1.022 billion, increasing by 249.70% year-on-year.

During the Reporting Period, the company continued to strengthen strategic coordination with the Group and cultivate three business characteristics: inclusive finance, pension finance and wealth finance. In terms of inclusive finance, the company continued to expand the coverage of inclusive life insurance, offering service items for nearly 160,000 customers annually and covering 240,000 people cumulatively at the end of the year. In terms of pension finance, the company further enriched its offerings of personal pension insurance products and achieved full coverage for three types of insurance products: personal pensions, exclusive commercial pension insurance and commercial pension annuity insurance products. In terms of wealth finance, the company focused on insurance funds and insurance fund trusts, for the purpose of offering life insurance to fulfil customers' wealth preservation and wealth inheritance needs and better meeting the growing demand for insurance guarantees and wealth management among middle- and high-end customers.

BOCOM Financial Asset Investment Co., Ltd. As a wholly-owned subsidiary of the Bank, it was set up in December 2017 with a registered capital of 15.0 billion. As one of the first pilot banks to implement debt-to-equity swap as determined by the State Council, it is mainly engaged in debt-to-equity swap and supporting services. At the end of the Reporting Period, the company's total assets amounted to 71.534 billion and net assets amounted to 26.042 billion. The net profit of the company reached to 2.429 billion, representing an decrease of 22.27% on a year-on-year basis. Profit decreased during the year mainly due to investment projects launched by the company and the realisation of profit through large-scale withdrawals in the same period last year. There was no similar one-off event during the Reporting Period.

During the Reporting Period, the company added 37 new investments in debt-to-equity swap projects amounting to 18.608 billion. At the same time, the company continuously deepened the collaboration with the Group and strengthened the close cooperation with existing customers thereby improving overall returns and setting a good example. The company actively responded to the equity investment pilot expansion policy for AICs, and closely coordinated with the Group to quickly promote fund establishment and enlarge project reserves. As at the end of the Reporting Period, full coverage of contracted funds was achieved in 18 cities, and the number and scale of pure equity projects continued to represent leading positions in the industry.

BOCOM International Holdings Company Limited. The company was set up in June 1998 (formerly known as Communications Securities Co., Ltd. It changed its name to BOCOM International Holdings Company Limited in May 2007). It was listed on the main board of Hong Kong Stock Exchange on 19 May 2017. The main businesses include securities brokerage and margin financing, corporate financing and underwriting, asset management and consulting, investment and loan. As at the end of the Reporting Period, the Bank contributed 73.14% shares of the company. During the Reporting Period, the company focused its main business and responsibilities, endeavored to reduce operating losses and continuously promoted the transformation of its operating structure. At the end of the Reporting Period, the company had total assets of HKD14.515 billion and net assets of HKD0.883 billion. During the Reporting Period, the company's loss decreased year-on-year, with a net loss of HKD1.231 billion.

China BoCom Insurance Co., Ltd. As a wholly-owned subsidiary of the Bank, it was set up in November 2000 with a registered capital of HKD0.4 billion. The main business includes the operation of 17 types of general insurances approved by the Insurance Authority of Hong Kong. At the end of the Reporting Period, the company had total assets of HKD0.993 billion and net assets of HKD0.572 billion. During the Reporting Period, the company realised a net profit of HKD6.78 million, representing a year-on-year increase of 158%; For the 11th consecutive year, it was awarded the "A-level" (excellent) financial strength rating and the "A-level" (excellent) long-term issuer credit rating by the international professional rating agency of the insurance industry – AM Best – and the outlook for both ratings was "stable".

During the Reporting Period, the company worked closely with the Group, actively served national strategies, and promoted the high-quality development of its insurance business. The company made new records, with underwriting profit reaching to HKD0.301 billion and growing in two dimensions (before and after expenses). It actively served the risk guarantee needs of Hong Kong residents in terms of residence, travel, commerce and trade, and provided risk management support for science and innovation-oriented small and medium-sized enterprises (SMEs) in Hong Kong; it also assisted in providing insurance guarantees for offshore wind power, new energy vehicles, photovoltaics and other fields; and cooperated with the insurance industry in the Chinese Mainland to assist in reinsurance arrangements for planting, breeding and forestry in the field of "agriculture, rural areas and farmers".

BUSINESS REVIEW

6. Global Service Capabilities

- The Group has formed an offshore business network covering major international financial centres and spanning five continents. During the Reporting Period, overseas banking institutions achieved a net profit of 10.389 billion, a year-on-year increase of 95.36%, accounting for 11.10% of the Group's net profit. At the end of the Reporting Period, the total assets of overseas banking institutions were 1,266.251 billion, accounting for 8.50% of the Group's total assets.

(1) Internationalisation development

The Group actively responded to changes in internal and external situations, carried out operation and management in a stable and orderly manner, consolidated the advantages of global development, continued to optimise the development structure, and coordinated development and security. In November 2024, the Dubai International Financial Centre Branch was established, and the layout of Bank of Communications in countries and regions jointly building the "Belt and Road" was further improved. The Group provided financial services for Chinese enterprises that comply with the national strategy of "going global", actively built a financial bridge connecting inside and outside, and served the new pattern of high-level opening up of the country.

(2) International settlement and trade financing

The Group actively supported the stabilisation of foreign investment and foreign trade. The Group innovated and optimised the cross-border settlement business of the Silk Road e-commerce/cross-border e-commerce platform and supported the foreign trade micro merchants of e-commerce platforms such as Amazon to realise export collection based on electronic transaction information. Foreign related letters of guarantee supported domestic enterprises to steadily "going global" and jointly built the "Belt and Road". During the Reporting Period, the business volume of issuing foreign-related letters of guarantee increased by 99.37% year on year, of which the business volume of foreign-related letters of guarantee to countries and regions along the "Belt and Road" increased by 115.10% year on year. 24 new foreign trade projects were launched in total, with a year-on-year growth of 40.08%. The Group improved scene financial service level, created a financial solution for the "Smart Exchange Train" scenario, and provided a package of services such as automatic declaration, invoice matching, exchange rate management, and financing support. The Group realised the policy requirements of cross-border investment and financing facilitation, upgraded and promoted the "capital steward" capital project digital service, with the business volume increased by 54.66% year on year. New small currency businesses such as Brazilian real, Hungarian forint and Polish zloty were added to promote the upgrading of exchange rate hedging service system and continue to improve the quality and efficiency of financial services for foreign trade enterprises. During the Reporting Period, the Bank's international settlement volume was US$512.499 billion, increasing by 0.56% year on year.

(3) Overseas service network

The layout of offshore service network was progressing steadily. As at the end of the Reporting Period, the Group had 24 overseas branches and representative offices in Hong Kong, New York, London, Singapore, Tokyo, Frankfurt, Luxembourg and Sydney, with 66 overseas operating outlets (excluding representative offices) providing customers with comprehensive financial services such as deposits, loans, international settlements, trade finance and foreign exchange, etc.; The Group had established an overseas service network with the head offices of 1,073 banks in 131 countries and regions, and opened 202 cross-border RMB accounts for 94 overseas RMB participating banks in 30 countries and regions, A total of 112 foreign currency clearing accounts in 29 currencies were opened in 65 banks in 32 countries and regions.

(4) Free trade zone and cross-border RMB business

The Group steadily, prudently and solidly promoted the internationalization of RMB. Also, the Group promoted pilot project of cross-border asset transfer innovation business. The Seoul Branch purchased domestic asset-backed securities held by BOCOM Wealth Management Co., Ltd., which was the first financial innovation launched after the introduction of the *National Overall Plan for Comprehensively Connecting International High Standard Economic and Trade Rules to Promote the High level Institutional Opening of China (Shanghai) Pilot Free Trade Zone*. BOCOM Financial Leasing Co., Ltd. is the first offshore RMB ship finance leasing product in the financial leasing industry. During the Reporting Period, the cross-border RMB settlement volume of domestic banking institutions was 1.94 trillion, increasing by 2.15% year on year.

The Group actively served the construction of the free trade zone. The Group built a "investors+underwriters+trustees+clearing banks+settlement banks" five in one FTZ offshore bond comprehensive financial service system, ranking first in the clearing market. The Group launched a multi-functional free trade account (EF) in Hainan Free Trade Port and Hengqin Guangdong Macao Deep Cooperation Zone and provided capital settlement for customers to issue RMB bonds in Hong Kong through Hainan Free Trade Port EF, enriching the cross-border fund settlement application scenarios of EF accounts. The Group made full use of the policy advantages of Hainan Free Trade Port, docked with the cross-border asset transfer platform of Shanghai Bill Exchange, and actively carried out cross-border asset transfer business. The Group promoted the implementation of two "30" financial innovation policies in Hengqin and Qianhai Free Trade Zone.

(5) Offshore services

The Group deepened the integrated development of offshore and onshore business and the integrated operation of non-resident accounts, and fully tapped the business potential of the Yangtze River Delta integration and the new Lingang area of the Shanghai Free Trade Zone. At the end of the Reporting Period, the asset balance of offshore business amounted to USD12.708 billion.

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Column BoCom – HSBC Strategic Cooperation

2024 coincided with the 20th anniversary of the strategic partnership between the Bank and HSBC. Over the past 20 years, based on a solid equity cooperation bond and adhering to the concept of mutual benefit and win-win cooperation, the two sides worked together to improve the cooperation mechanism and achieved fruitful results in corporate governance, business collaboration, resource and experience sharing, etc. In accordance with the principle of marketization, the Bank and HSBC shared domestic and overseas resources, steadily promoted cooperation in various business fields under the unified framework of "1+1 global financial services", provided customers with comprehensive cross-border financial services, and made every effort to serve the new development pattern of "Dual Circulation" and high-level opening up to the outside world. In the past decade, the total amount of overseas syndicated and bond issuance projects of the two sides reached 460 billion dollars.

During the Reporting Period, the Bank and HSBC continued to follow the principle of equal priority and complementary advantages and maintained a good cooperation trend. Taking the 20th anniversary of cooperation as an opportunity, the senior management of both sides further communicated and exchanged closely, jointly held a forum to commemorate the 20th anniversary of cooperation, and worked together to further improve the effectiveness of cooperation at a new starting point; The Bank and HSBC convened the regular meeting of the Executive Chairman to provide top-level support for deepening the cooperation between the two sides and determine the priorities and goals of cooperation. The share of regular business cooperation continued to increase. There were 12 cooperative syndicated loans in Hong Kong with a total amount of 9.8 billion US dollars, including 7 loans related to sustainable development; The amount of cooperative bond issuance in Hong Kong was 43.8 billion US dollars, representing an increase of 24% year on year; The scale of custody cooperation continued to increase, and cross-border RMB settlement, asset management and financial market business cooperation continued to advance. Under the framework of "Resources and Experience Sharing (RES)", the two sides closely focused on the "five priorities" of finance, carried out in-depth exchanges around key issues such as science and technology finance, green finance, trade finance, etc., promoted the transformation of exchange results, and provided useful reference for the operation and development of both sides.

In the future, the two sides will take the high-level opening of the financial industry as an opportunity to expand cooperation fields and innovate cooperation models based on the good cooperation of the past 20 years. The two sides will work together to promote "five priorities" of finance, serve the development of new quality productivity, create a pilot field for cooperation in science and technology finance and green finance, continue to expand the brand influence of "1+1 global financial services", and jointly promote the cooperation between the two sides to achieve further success and achieve stability.

7. Channel construction

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

(1) Corporate online banking and corporate mobile banking

To promote the development of professional services and diversified non-financial services, during the Reporting Period, the Bank continued to improve electronic channels for corporate banking services, and it implemented trade finance services in corporate online banking and inclusive services in corporate mobile banking. During the Reporting Period, the new portal of enterprise online banking international business and the inclusive special edition 2.0 of enterprise mobile banking were upgraded and released to improve customer experience and service efficiency through digital means. As at the end of the Reporting Period, the number of contracted customers of corporate online banking (bank-corporate direct link) increased by 10.62% over the end of the previous year, and the number of customers of corporate mobile banking and transaction that conducted trades within the year increased by 8.40% on a year-on-year basis; the number of contracted customers of corporate mobile banking increased by 11.36% over the end of the previous year, the annual cumulative customers of corporate mobile banking and transaction volume increased by 6.87% on a year-on-year basis.

(2) Personal mobile banking

Holding the philosophy of "Inclusive, Sufficient and Ease to use" and the theme of "understanding wealth, enjoying life", the Bank launched Personal Mobile Banking Ver. 9.0. The new version continued to deepen wealth management and life services, bringing customers a more heart-warming financial service experience. The Bank launched "wealth planning" tool and provide asset allocation function across a major asset classes based on "one household, one policy". The bank upgraded the functions for payment and launched the payment brand "BOCOM Easy Pay", practiced green and low-carbon concept and created the equity brand of "Carbon Star Glory"; gathered local characteristics and launched the "BOCOM Welfare Season • Cultural Tourism Season" activity. As at the end of the Reporting Period, the number of monthly active users (MAU) for personal mobile banking was 55.4084 million, an increase of 12.84% over the end of the previous year.

(3) Go Pay APP

The Bank upgraded and released Version 9.0 of Go Pay – BoCom's official credit card APP, and it launched an English version simultaneously to improve services for overseas individuals. The Bank obtained multiple authoritative certifications, such as the mobile internet application (app) security certification. Based on the native commercial operating system HarmonyOS, the Bank launched the HarmonyOS version of Go Pay. This version of Go Pay, which seamlessly connects with the HarmonyOS ecosystem, marks the first HarmonyOS credit card APP in the industry. As at the end of the Reporting Period, the cumulative number of registered customers of the APP amounted to 79.5720 million, and the number of monthly active users (MAU) was 28.4094 million. In 2024, the Go Pay APP won the "Annual Consumer Finance Innovation Award" and the HarmonyOS Pioneer "Ecological Contribution Award".

(4) Open Banking

With the development trends of the digital economy, the Bank focused on areas such as government administration, production and operation, consumer consumption to enhance the capability of digital financial services to support the real economy. The Bank established a financial ecosystem cloud platform, enriching the "industry + finance" SaaS services that could be ready to use out of the box, focusing on key scenarios and important industries, and creating a matrix of financial ecosystem cloud services to continuously enrich the scenarios of the digital financial ecosystem. At the end of the Reporting Period, the Bank opened a cumulative total of 5,805 interfaces, with over 6.6 billion calls, and a total of 13 financial ecological cloud services have been released, with 59,200 institutional users. During the Reporting Period, 306.142 billion financing

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amount was collected through online chain financial service of open banking, increasing by 45.04% year on year.

(5) BOCOM On-cloud

During the year, the Bank continuously promoted its "BOCOM On-cloud" brand and pursued innovation in the application of audio and video technologies. By offering screen-to-screen online services, the Bank enabled the development of online institutions, employees, services, and products, breaking through the physical and temporal barriers of traditional banking business. The Bank developed an innovative model for new banking services and improved the availability of and satisfaction offered by financial services. During the Reporting Period, the BOCOM On-cloud remote video outlet provided 1.98 million services, reflecting growth of 2.3 times from the previous year.

The Bank continuously improved the featured services of new media channels such as "BoCom" WeChat Mini Program, "BoCom Loans" WeChat Mini Program and Cloud BoCom to strengthen cross-channel collaboration capability and highlight the value contribution of new media channels. As at the end of the Reporting Period, customers served by "BoCom" WeChat Mini Program increased by 33.64% over the end of the previous year to 48.6731 million; customers served by "BoCom Loans" WeChat Mini Program increased by 124.46% over the end of the previous year to 8.5694 million; customers served by Cloud BoCom amounted to 9.7847 million, an increase of 31.92% over the end of last year.

8. FinTech and Digital Transformation

- The Bank seized opportunities and prioritized security, leveraged data elements and digital technologies as key drivers, adhered to a unified blueprint throughout implementation, advanced digital transformation of the new Bank of Communications, enhanced and strengthened digital finance, and promoted the coordinated development of the "five priorities" of finance.
- During the Reporting Period, the Bank invested 11.433 billion in fintech, representing a year-on-year decrease of 4.94%; it was 5.41% of operating revenue, and decreased by 0.23 percentage point year-on-year. At the end of the Reporting Period, the Group had 9,041 fintech employees, representing an increase of 15.70% from the end of the previous year, and accounting for 9.44% of the Group's total number of employees, which represents an increase of 1.15 percentage points from the end of the previous year.

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(1) Building a barrier for safe development with bottom line thinking

The Bank strengthened the basic resource guarantee of business continuity and accelerated the construction of Remote Data Centres in Horinger and Gui'an, strengthened the construction of the disaster recovery system, carried out the disaster recovery drill of taking over the business, and effectively improved the disaster recovery capability. The Bank continued to strengthen the Group's integrated security management and Group's unified network security system architecture and management and control strategy, improved the whole process management system of data security pre-assessment, in-process management and control, and post inspection, and continuously enhanced data security risk monitoring and emergency response capabilities. The Bank strengthened the core technology, actively and steadily promoted the distributed transformation of core systems, and promote both business support and independent and controllable capabilities.

(2) Leading the Development of New Quality Productivity with Technological Innovation

The Bank strengthened data governance and integrated applications, fully establishing an enterprise-level data middle platform to achieve data visualisation and platformisation, and online queries for key operational indicators, supporting business decision-making. By actively collaborating with the National Credit-Based Financing Platform and regional big data institutions, the Bank advanced the integrated application of internal and external data using blockchain and privacy-preserving computation technologies, empowering financial product innovation as well as proactive customer credit granting and precise outreach. During the year, BoCom successfully passed the level 5 (highest) certification of the national Data Management Capability Maturity Model (DCMM).

The Bank forged a new AI-driven identity by releasing the Bank of Communications "AI+" Action Plan (2025-2026), constructing a "1+1+N" AI development framework: solidifying 1 enterprise-level AI capability platform, perfecting 1 AI governance mechanism, and enabling N AI application scenarios. The Bank built a thousand-card heterogeneous computing cluster primarily using domestically-produced GPU servers, created a trillion-parameter financial large model algorithm matrix, completed over 100 scenario implementations combining large and small models, and were selected as one of Shanghai's first "Modeling Shanghai" industry application demonstration bases. Throughout the year, these efforts freed up over 1,000 manpower workloads and delivered significant results in anti-money laundering, anti-fraud, customer service, and centralized operations.

(3) Driving Business Model Transformation and Service Efficiency Enhancement with a Digital Mindset

The Bank promoted the deep integration of digital finance and the real economy, focusing on advancing the "five priorities" of finance "to continuously enrich our "Digital+" product offerings and strengthen an innovative service ecosystem. The Bank iteratively developed products and services such as "BoCom Sci-tech Innovation", "Huimin Credit", "Benefit Business Loan", and the "BOCOM Salary Connect," "Cloud Interbank," and BOCOM On-cloud,", leveraging data element applications and technology integration to enhance the convenience and competitiveness of financial services, thereby better benefiting the public and improving livelihoods. The Bank further optimised digital operational management efficiency by deepening business process reengineering, scaling the deployment of digital employees, upgrading intelligent digital platform tools, and enhancing employees' digital capabilities to empower efficiency gains and reduce workloads. The Bank's digital risk control project, which applied AI technologies to build a Group-wide integrated comprehensive risk management system, was awarded the First Prize in the 2023 People's Bank of China FinTech Development Award.

(4) Strengthen the scientific and technological governance of the group through systematic planning

The Bank deepened the reform of the digital financial system and mechanisms, completed the optimisation and adjustment of the financial technology structure and functions at the head office, integrating the Digital Finance Committee from former FinTech and Product Innovation Committee and Digital Governance Management Committee (Financial Statistics Standardization) under the senior management to strengthen decision-making and organizational coordination for major digital finance initiatives. The Bank promoted a holistic approach to technology management across the group, enhanced centralized oversight of security and architecture, established a unified group-wide product catalog, and improved the efficiency of technology governance. The Bank intensified efforts to recruit talent, deepened the integration and collaboration between business and technology, and elevated digital literacy and strategic awareness across the entire organization.

RISK MANAGEMENT

IV. RISK MANAGEMENT

The Board of Directors established the overall risk appetite of "Stability, Balance, Compliance and Innovation" for the Bank and set specific risk limit indicators against various risks, including those related to credit, markets, operations, liquidity, interest rates of the banking book, information technology and countries, to exercise strict control over various types of risk. During the Reporting Period, the Group consistently adhered to bottom-line thinking, integrated development and safety, strengthened its unified risk management, continued to consolidate asset quality, improved risk management in key areas, continuously enhanced its comprehensive risk management capabilities, and engaged in effective management to promote the high-quality development of the entire bank.

(I) Risk Management Framework

The Board of Directors of the Bank assumes ultimate responsibility and the highest decision-making authority in respect of risk management, and it controls the Bank's risk conditions through the subordinate Risk Management and Related-Party Transaction Control Committee. The Bank's senior management has established the Comprehensive Risk Management and Internal Control Committee, as well as two business review committees: the Credit Review Committee and the Risk Asset Review Committee. The business review committees are guided by and report regularly to the Comprehensive Risk Management and Internal Control Committee. Based on the aforementioned framework, each provincial branch, directly managed branch, overseas branch and subsidiary has established its own Comprehensive Risk Management and Internal Control Committee, which serves as the main organisation for studying how to prevent and control the Group's systematic and regional risks and support risk management decision-making on major issues. In this way, a comprehensive risk management system has been implemented that covers the entire Group.

(II) Risk Management Tools

During the year, the Bank continued to promote the digital transformation of risk management; being a market-oriented, customer-oriented and grassroots oriented Bank, the Bank focused on the current "new requirements for internal management, new situations for external supervision, and new breakthroughs in technology application"; and remained committed to building a full-process and full-coverage digital risk management system, building a solid bank-wide risk database, building enterprise-level risk management applications, strengthening the sharing and reuse of risk control capabilities, and enhancing risk management intelligence. During the Reporting Period, the Bank further promoted the construction of the Risk Measurement Centre, strengthened its suite of risk management tools, such as measurement models for strategic areas and risk monitoring, and continuously enhanced the Group's risk measurement and monitoring capabilities. In particular, model risk management was strengthened to ensure a smooth transition under the new capital regulations.

(III) Credit Risk Management

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

The Bank continued intensification of the collection of non-performing assets, focusing on key areas to bring into play the professional disposal capabilities of Head Office to steadily and orderly dispose of the risk exposures in significant items, and strive to improve the quality and efficiency of non-performing assets collection and disposal. During the Reporting Period, the disposal of non-performing loans reached 66.67 billion, with an increase of 3.0% over the end of the previous year, of which the substantial recovery amount was 30.38 billion.

The Bank adheres to the regulatory requirements and maintains strict asset risk classification standards. The foundation of asset quality has been continuously strengthened and the level of asset quality has improved steadily. At the end of the Reporting Period, the Group’s non-performing loan balance amounted to 111.677 billion and the non-performing loan ratio was 1.31%, representing an increase of 5.989 billion and a decrease of 0.02 percentage point respectively compared with the end of the previous year; and the percentage of overdue loan balance increased compared with the beginning of the year, with the proportion unchanged. The Group adopts prudent classification criteria for overdue loans. Domestic corporate loans overdue for more than 60 days have been included in non-performing loans and all loans overdue for more than 90 days have been included in non-performing loans, with loans overdue for more than 90 days accounting for 67.79% of non-performing loans.

RISK MANAGEMENT

Distribution of loans by five categories of loan classification

(in millions of RMB unless otherwise stated)

	31 December 2024		31 December 2023		31 December 2022	
	Amount	**Proportion (%)**	Amount	Proportion (%)	Amount	Proportion (%)
Pass loan	**8,309,109**	**97.12**	7,731,141	97.16	7,091,355	97.21
Special mention loan	**134,336**	**1.57**	120,256	1.51	105,084	1.44
Total performing loan balance	**8,443,445**	**98.69**	7,851,397	98.67	7,196,439	98.65
Sub-standard loan	**31,100**	**0.37**	28,523	0.36	40,465	0.55
Doubtful loan	**24,066**	**0.28**	32,383	0.41	33,257	0.46
Loss loan	**56,511**	**0.66**	44,782	0.56	24,804	0.34
Total non-performing loan Balance	**111,677**	**1.31**	105,688	1.33	98,526	1.35
Total	**8,555,122**	**100.00**	7,957,085	100.00	7,294,965	100.00

Distribution of special mention loans and overdue loans by business type

(in millions of RMB unless otherwise stated)

	31 December 2024				31 December 2023			
	Special mention loan balance	**Special mention loan ratio (%)**	**Overdue loan balance**	**Overdue loan ratio (%)**	Special mention loan balance	Special mention loan ratio (%)	Overdue loan balance	Overdue loan ratio (%)
Corporate loans	**92,705**	**1.67**	**59,266**	**1.06**	89,192	1.72	62,273	1.20
Personal loans	**41,631**	**1.51**	**58,821**	**2.14**	30,939	1.25	47,832	1.93
Mortgage	**14,266**	**0.97**	**17,535**	**1.20**	9,875	0.68	12,236	0.84
Credit cards	**22,958**	**4.26**	**28,522**	**5.30**	18,673	3.81	28,061	5.73
Personal business loans	**2,175**	**0.53**	**6,871**	**1.66**	903	0.26	3,425	1.00
Personal consumption loans and others	**2,232**	**0.67**	**5,893**	**1.77**	1,488	0.84	4,110	2.32
Discounted bills	**0**	**0.00**	**11**	**0.00**	125	0.04	16	0.01
Total	**134,336**	**1.57**	**118,098**	**1.38**	120,256	1.51	110,121	1.38

The balance of corporate overdue loan was 59.266 billion, representing a decrease of 3.007 billion over the end of the previous year. The overdue ratio was 1.06%, representing a decrease of 0.14 percentage point over the end of the previous year. The balance of personal overdue loan was 58.821 billion, representing an increase of 10.989 billion over the end of the previous year. The overdue loan ratio was 2.14%, representing an increase of 0.21 percentage point over the end of the previous year.

Distribution of loans and non-performing loans by business type

(in millions of RMB unless otherwise stated)

	31 December 2024				31 December 2023			
	Loans	Proportion (%)	Non-performing Loan	Non-performing loan ratio (%)	Loans	Proportion (%)	Non-performing Loan	Non-performing loan ratio (%)
Corporate loans	5,566,578	65.07	81,838	1.47	5,179,533	65.09	85,549	1.65
Personal loans	2,752,406	32.17	29,827	1.08	2,473,100	31.08	20,123	0.81
Mortgage	1,466,604	17.14	8,509	0.58	1,462,634	18.39	5,462	0.37
Credit cards	538,404	6.29	12,590	2.34	489,725	6.15	9,385	1.92
Personal business	413,626	4.83	4,986	1.21	342,198	4.30	2,685	0.78
Personal consumption loans and others	333,772	3.91	3,742	1.12	178,543	2.24	2,591	1.45
Discounted bills	236,138	2.76	12	0.01	304,452	3.83	16	0.01
Total	8,555,122	100.00	111,677	1.31	7,957,085	100.00	105,688	1.33

Distribution of loans and non-performing loans by industry

(in millions of RMB unless otherwise stated)

	31 December 2024				31 December 2023			
	Loans	Proportion (%)	Non-performing Loan	Non-performing loan ratio (%)	Loans	Proportion (%)	Non-performing Loan	Non-performing loan ratio (%)
Corporate loans	5,566,578	65.07	81,838	1.47	5,179,533	65.09	85,549	1.65
Transportation, storage and postal services	985,091	11.50	3,179	0.32	905,624	11.38	5,460	0.60
Manufacturing	1,053,309	12.31	15,068	1.43	954,586	12.00	18,753	1.96
Leasing and commercial services	948,410	11.09	6,754	0.71	866,601	10.89	6,030	0.70
Real estate	527,675	6.17	25,612	4.85	489,080	6.15	24,403	4.99
Water conservancy, environmental and other public facilities	467,212	5.46	2,816	0.60	466,137	5.86	4,173	0.90
Production and supply of electric power, heat, gas and water	456,439	5.34	2,675	0.59	391,742	4.92	3,098	0.79
Wholesale and retail trade	289,006	3.38	8,576	2.97	292,168	3.67	7,883	2.70
Construction	210,582	2.46	2,482	1.18	188,716	2.37	2,639	1.40
Finance	144,878	1.69	1,081	0.75	159,183	2.00	1,870	1.17
Education, science, culture and public health	151,490	1.77	4,641	3.06	141,254	1.78	4,116	2.91
Mining	123,059	1.44	986	0.80	116,467	1.46	1,071	0.92
Others	86,090	1.01	654	0.76	88,640	1.11	437	0.49
Information transmission, software and information technology services	89,510	1.05	1,697	1.90	81,176	1.02	1,164	1.43
Accommodation and catering	33,827	0.40	5,617	16.61	38,159	0.48	4,452	11.67
Personal loans	2,752,406	32.17	29,827	1.08	2,473,100	31.08	20,123	0.81
Discounted bills	236,138	2.76	12	0.01	304,452	3.83	16	0.01
Total	8,555,122	100.00	111,677	1.31	7,957,085	100.00	105,688	1.33

RISK MANAGEMENT

The Group continued to strengthen its financing support for the real economy. The loan balance of production and supply of electric power, heat, gas and water industry increased by 64.697 billion, or 16.52% over the end of the previous year; and manufacturing industry loans increased by 98.723 billion, or 10.34%, and leasing and commercial services industry loans increased by 81.809 billion, or 9.44%, compared with the end of last year; transportation, storage and postal services industry loans increasing by 79.467 billion, or 8.77%, compared with the end of last year.

Distribution of loans and non-performing loans by region

(in millions of RMB unless otherwise stated)

	31 December 2024				31 December 2023			
	Loans	Proportion (%)	Non-performing Loan	Non-performing loan ratio (%)	Loans	Proportion (%)	Non-performing Loan	Non-performing loan ratio (%)
Yangtze River Delta	**2,432,084**	**28.43**	**24,213**	**1.00**	2,226,422	27.98	20,582	0.92
Pearl River Delta	**1,115,864**	**13.04**	**14,704**	**1.32**	1,051,204	13.21	12,214	1.16
Bohai Rim Economic Zone	**1,406,292**	**16.44**	**14,279**	**1.02**	1,288,078	16.19	16,472	1.28
Central China	**1,370,600**	**16.03**	**14,535**	**1.06**	1,290,880	16.22	13,311	1.03
Western China	**1,024,200**	**11.97**	**8,989**	**0.88**	947,510	11.91	9,443	1.00
North Eastern China	**274,860**	**3.21**	**8,902**	**3.24**	265,215	3.33	11,221	4.23
Overseas	**329,666**	**3.85**	**13,459**	**4.08**	359,446	4.52	13,053	3.63
Head office	**601,556**	**7.03**	**12,596**	**2.09**	528,330	6.64	9,392	1.78
Total	**8,555,122**	**100.00**	**111,677**	**1.31**	7,957,085	100.00	105,688	1.33

Note: Head Office included the Pacific Credit Card Centre.

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

Overdue loans and advances

(in millions of RMB unless otherwise stated)

	31 December 2024		31 December 2023	
Overdue Period	**Amount**	**Proportion (%)**	Amount	Proportion (%)
Within 3 months	**42,389**	**0.50**	41,727	0.52
3 months to 1 year	**35,685**	**0.42**	34,927	0.44
1 to 3 years	**31,131**	**0.36**	26,820	0.34
Over 3 years	**8,893**	**0.10**	6,647	0.08
Total	**118,098**	**1.38**	110,121	1.38

As at the end of the Reporting Period, the balance of overdue loans was 118.098 billion, representing an increase of 7.977 billion over the end of the previous year. The overdue ratio was 1.38%, remaining unchanged from the end of the previous year. The balance of loans overdue for over 90 days was 75.709 billion, representing an increase of 7.315 billion over the end of the previous year.

Restructured loans

(in millions of RMB unless otherwise stated)

	31 December 2024		31 December 2023	
	Amount	**Proportion (%)**	Amount	Proportion (%)
Restructured loans	**66,959**	**0.78**	40,836	0.51
Including: Restructured loans overdue over three months	**7,985**	**0.09**	6,306	0.08

Note: Calculated pursuant to regulatory standards.

Loan migration rates (%)	**2024**	2023	2022
Pass loan migration rate	**1.02**	1.13	1.33
Special mention loan migration rate	**17.04**	24.93	30.75
Sub-standard loan migration rate	**65.85**	60.90	47.71
Doubtful loan migration rate	**66.81**	65.57	42.64

Note: Calculated pursuant to regulatory standards. The data of previous periods has been retroactively adjusted.

Credit risk concentration

As at the end of the Reporting Period, the total loans to the largest single customer of the Group accounted for 5.30% of the Group's net capital, and the total loans to top 10 customers accounted for 20.73% of the Group's net capital. The situation of loans to top 10 single customers as at the end of the Reporting Period is shown below.

(in millions of RMB unless otherwise stated)

	31 December 2024		
	Industry	**Amount**	**Percentage of total loans (%)**
Customer A	**Production and supply of electric power, heat, gas and water**	**80,000**	**0.94**
Customer B	**Production and supply of electric power, heat, gas and water**	**44,999**	**0.53**
Customer C	**Leasing and commercial services**	**35,000**	**0.41**
Customer D	**Transportation, storage and postal services**	**32,746**	**0.38**
Customer E	**Transportation, storage and postal services**	**26,031**	**0.30**
Customer F	**Real estate**	**23,552**	**0.28**
Customer G	**Manufacturing industry**	**19,970**	**0.23**
Customer H	**Production and supply of electric power, heat, gas and water**	**17,132**	**0.20**
Customer I	**Transportation, storage and postal services**	**16,786**	**0.20**
Customer J	**Transportation, storage and postal services**	**16,578**	**0.19**
Total of Top 10 Customers		**312,793**	**3.66**

RISK MANAGEMENT

(IV) Market Risk Management

Market risk refers to the risk of losses of on- and off-balance sheet business activities of the Bank arising from unfavourable changes in interest rates, exchange rates, commodity prices, share prices and other factors. Interest rate risk and exchange rate risk were the major market risks encountered by the Group during the Reporting Period.

The objective of the Group's market risk management is to proactively identify, measure, monitor, control and report market risks in accordance with the risk appetite determined by the Board of Directors; control market risks within tolerable limits through the use of methods and tools such as limit management, risk hedging and risk transfer; and maximise risk-adjusted returns on this basis.

According to the *Administrative Measures for the Capital of Commercial Banks* issued by the National Financial Regulatory Administration and its implementation requirements, for market risk capital measurement, the Group uses the standards-based approach; and during the transition period, the non-bank consolidated subsidiaries and Brazilian sub-branches are using the simplified standards-based approach. The measurement of market risk capital should cover default risk, general interest rate risk, credit spread risk, stock risk in the transaction book of commercial banks, all-book exchange rate risk and commodity risk. The capital measurement results are applied to limit monitoring, performance appraisal, risk monitoring and analysis, etc.

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

(V) Liquidity Risk Management

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

The governance structure of the Group's liquidity risk management includes a decision-making body consisting of the Board of Directors and its Special Committees and Senior Management, a supervisory institution consisting of the Board of Supervisors and the Audit and Supervisory Bureau, and an executive institution consisting of the Finance and Management Department, the Financial Markets Department, the Risk Management Department, the Operations and Channels Management Department, the subsidiaries, branches, and the competent authorities in charge of the head office of the various businesses.

The Group determines its liquidity risk appetite and formulates its liquidity risk management strategies and policies each year based on factors such as its business strategy, business characteristics, financial strength, financing ability, overall risk appetite and market influence.

During the Reporting Period, the Group continued to improve its liquidity risk management system, flexibly adjusted its liquidity management strategy and business development structure and tempo when appropriate, and promoted the coordinated development of its asset and liability businesses; expanded diversified financing channels, and issued long-term bonds to supplement and stable funds, performed cash flow measurement and analysis, closely monitored liquidity risk indicators, to ensure daily liquidity safety and smooth operation of the indicators.

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

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

	Standard value	**31 December 2024**	31 December 2023	31 December 2022
Liquidity ratios (%)	≥25	**73.34**	64.92	69.76

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

The daily average liquidity coverage ratio of the Group during the forth quarter of 2024 was 140.69% (intra quarter daily average refers to the simple arithmetic average of daily values in the quarter, and the number of daily values on which the average value is calculated is 92), a decrease of 3.39 percentage points over the last quarter, mainly due to the decrease of qualified high-quality liquid assets. The Group's qualified high-quality liquid assets mainly include cash, reserves deposited in the central bank that can be withdrawn under stress scenarios, and bonds that meet the definition of primary and secondary assets in the *Administrative Measures on Liquidity Risk of Commercial Banks*.

In the third quarter of 2024, the quarter-end net stable funding ratio of the Group was 113.36%, representing an increase of 1.86 percentage points from the previous quarter, mainly due to the increase in financing from financial institutions. In the fourth quarter of 2024, the quarter-end net stable funding ratio of the Group was 113.51%, representing an increase of 0.15 percentage points from the previous quarter, mainly due to the increase in financing from retail and small business customers. For further information on the Group's liquidity coverage ratio and stable funding ratio, please refer to the *Pillar 3 Report on 31 December 2024* published on the official website of the Bank.

RISK MANAGEMENT

(VI) Operational Risk Management

The Group has established a complete operational risk management system commensurate with the nature, scale and product complexity of the Bank's business. During the reporting period, the Group formulated and issued operational risk management measures, strengthened the top-level design of operational risk management, optimized the operational risk governance framework, improved the operational risk management process, strengthened the application of management tools such as operational risk event management, self-assessment and key indicators, and enhanced the Group's business continuity and outsourcing risk management.

(VII) Legal Compliance and Anti-money Laundering

The Group has established a compliance management system that is appropriate to its scale of operation, business scope and risk level, continuously strengthened its ability to identify, monitor, prevent, control and resolve compliance risks, enhanced the quality and efficiency of compliance management, and effectively ensured lawful and compliant operation and high-quality development. During the reporting period, the Company further improved the internal control and compliance management system, perfected the process of internal control and compliance inspection and rectification of problems, optimized the evaluation and accountability mechanism of internal control and compliance, consolidated the internal control and compliance culture, and further promoted the digital transformation of internal control and compliance. The Company also deepened the reform of the anti-money laundering system and mechanism, and improved the customer due diligence, one-line-of-defense anti-money laundering management, and the Group's integrated anti-money laundering management mechanism.

(VIII) Reputation Risk Management

The Group implemented the Measures for Reputation risk management of Bancassurance Institutions (Trial), adhered to the management strategy of prevention first, effective disposal, timely repair and comprehensive coverage, formed a long-term mechanism of normalization construction and whole process management, focused on strengthening the measures for reputation risk management of overseas institutions, further accelerated digital transformation and empowerment, continued to prevent and resolve important public opinion events, and continuously improved the reputation risk management level of the whole group. During the reporting period, the reputational risk management system operated effectively and the reputational risk was properly managed and controlled.

(IX) Cross-industry, Cross-border and By-country Risk Management

The Group has established a cross-industry and cross-border risk management system with "unified management, clear division of labor, complete tools, IT support, risk quantification and substantial consolidation", and the risk management of its subsidiaries and offshore banks takes into account the unified requirements of the Group and the special requirements of their respective supervisory authorities, so as to prevent the risks that may arise from cross-industry and cross-border operations. During the reporting period, in response to the uncertainties brought about by changes in the external situation, the risk management of overseas institutions was strengthened, the institutional system was improved, the assessment mechanism was optimized, and various contingency plans were updated and rehearsals were intensified to ensure the smooth operation of the business. The Group strengthened work in key areas such as liquidity, business continuity and asset quality of overseas organizations. The Group strengthened consolidated management, refined the full life cycle management of subsidiaries at all levels, reinforced the transmission of the Group's risk appetite, and promoted the further integration of risk governance and various types of risk management of subsidiaries into the Group's unified risk management system. The Group strengthened country risk management, carried out country risk assessment, ratings and stress tests, paid continuous attention to and responded to country risk events in a timely manner, guided operating units to optimize their asset-liability structure in the country-specific dimension, and carried out country risk management throughout the entire process of relevant business development.

(X) Management of Large Exposure Risk

The Group conscientiously implemented the requirements of the "Measures for the Management of Large Risk Exposures of Commercial Banks" of the former CBIRC, promoted the construction of the management system, continuously monitored the situation of large risk exposures, strictly implemented the management of various limits and enhanced the Group's ability to prevent systemic and regional risks. During the reporting period, all indicators of the Group's large risk exposure were in compliance with the regulatory requirements.

(XI) Climate and Environmental Risk Management

The Group actively supports the goal of "carbon peak and carbon neutral", promotes the further integration of climate and environmental risks into the comprehensive risk management system, and continuously improves the governance structure, strengthens the institutional constraints, enhances the risk assessment and optimizes the means of management and control according to the risk appetite determined by the Board of Directors, so as to effectively respond to new challenges brought about by climate change and the low-carbon transformation of the socio-economy.

During the Reporting Period, the Bank formulated the Measures for Carbon Emission Management of Investment and Financing Clients, organised carbon emission measurement for the eight high-carbon industries and other industries with high transformation risks, and continuously improved carbon data coverage, refinement and digital management capabilities; continued to deepen the capacity building in the areas of scenario analysis, physical and transformational risk stress testing, carried out a quantitative study on the impacts of the EU's Carbon Border Adjustment Mechanism (CBAM), and conducted quantitative studies on the impacts of the heavy iron and steel and aluminum industries. It also conducted quantitative studies on the impact of the EU carbon border adjustment mechanism, conducted special stress tests for key clients in the steel and aluminum industries, and analysed the potential impact on the quality of the Bank's credit assets after the formal implementation of the EU carbon border adjustment mechanism; continued to strengthen the accounting of the environmental benefits of the projects related to the People's Bank of China's carbon emission reduction support tool.

OUTLOOK

V. OUTLOOK

In 2025, the external environment will be more complicated, challenging and uncertain. However, overall, China's economy will continue to improve, and its long-term positive outlook remains unchanged. With various factors supporting the high-quality development of the economy, investment will continue to grow; consumption will steadily improve; and foreign trade will be more resilient. Against this backdrop, banks will see more development opportunities.

The Group will fully implement the decisions and arrangements of the CPC Central Committee and the State Council, adhere to the general principle of seeking progress while maintaining stability, and closely follow the main line of work of "preventing risks, strengthening supervision, and promoting development". To complete the objectives and tasks of the "14th Five-Year Plan" of the Bank of Communications in high quality and lay a solid foundation for a good start to the "15th Five-Year Plan", the Group mainly focused on the following aspects:

I. Realising the "five priorities" of finance. The Group will firmly fulfil the responsibility of serving the main force of the real economy, continue to enrich financial functions, strengthen product services, precisely support the national major strategies, key areas and weaknesses. In addition, the Group will further increase credit supply in science and technology, microenterprises, green, pension industries and other fields, and better serve the sustained recovery and improvement of the economy.

II. Deepening and strengthening the building of "Shanghai Base". The Group will optimise and strengthen the construction of "Shanghai's Base", and give play to the role of Shanghai as a source of innovation and a radiation driver, and accelerate the promotion and application of Shanghai's pilot experience model. The Group will continue to consolidate and improve the advantages of financial market transactions, factor market services, custody business, etc.. In addition, the Group will deeply integrate into the construction of Shanghai International Financial Centre, and improve the competitiveness and visibility of "Shanghai Base".

III. Advance the enhancement of customer foundations. The Group will deepen the implementation of the customer base improvement project, elevate digital capabilities for bulk customer acquisition, and focus on addressing customer pain points while optimising retention mechanisms. The Group will strengthen cross-business engagement and customer loyalty, expand our core customer base, consolidate high-quality clientele, and solidify the foundation for high-quality development.

IV. Continuously enhancing risk management. The Group will resolutely fulfil the political responsibility as the anchor of financial stability, adhere to bottom-line thinking and extreme scenario planning, continuously strengthen the "four-early" capabilities, and effectively prevent and resolve risks in key areas as well as external shocks. In addition, the Group will elevate the management standards for cybersecurity, data security, and system security, build robust security barriers for financial technology, and firmly maintain the bottom line of preventing systemic risks.

V. Comprehensively deepening reform. The Group will promote the implementation of reform projects in key areas such as Digital Operations Centre, construction of Assets Custody Operation Centre localized operation transformation of credit card services, and comprehensive transformation of branch networks. In addition, the Group will make good use of the key step of reformation, stimulating the power and vitality, leveraging high-quality development to better serve Chinese-style modernization.

VI. MAJOR CONCERNS OF CAPITAL MARKET

(I) Net interest rate of return

During the reporting period, the Bank strengthened interest margin management and made every effort to stabilize the level of interest margin. First, the Bank optimized the asset structure, firmly promoted retail transformation, increased the proportion of retail loans, and optimized the term structure of corporate loans. Second, the Bank strengthened debt cost control, implemented the requirements of self-discipline mechanism, strictly controled deposit costs, grasped the favorable window of reasonable and sufficient liquidity, and distributed active liabilities such as bond issuance and interbank liabilities. Third, the Bank made reasonable arrangements for the investment of foreign currency assets and the absorption of liabilities, and promoted the formation of positive support for foreign currency interest margin. The Group's net interest yield for the whole year was 1.27%, down 1 basis point year on year.

Looking ahead, due to the continuity of relevant policy factors, the Group's net interest rate of return will still face some downward pressure in the short term. However, with the introduction of various policies and measures to promote stable economic development, the domestic economy will continue to keep a positive trend; at the same time, the role of the deposit interest rate marketization adjustment mechanism will continue to play, the monetary policy transmission mechanism will be further unblocked, and the deposit market competition order will be further standardized, which also provides favorable conditions for the management of the net interest rate of return of commercial banks. Next, the Group will further strengthen the research and judgment of the business situation and actively respond to it, continue to optimize the structure of assets and liabilities, dynamically optimize the business pricing strategy, and continue to do a good job in the management of net interest yield. On the assets side, the Group will continue to increase the proportion of customer loans, loans in the fields related to "five priorities" of finance, and retail loans, and strengthen diversified portfolio management such as bond investment. On the liability side, the Group will focus on the retention of settlement funds, vigorously expand low-cost deposits, and at the same time, do a good job in controlling high cost deposits to continuously reduce the cost of liabilities.

(II) Net non-interest income

During the reporting period, the Group achieved net non-interest income of 89.994 billion, a year-on-year decrease of 3.478 billion, or 3.72%. Specifically, during the reporting period, the net fee and commission income was 36.914 billion, a year-on-year decrease of 6.090 billion, or 14.16%; Other non-interest income was 53.08 billion, an increase of 2.612 billion or 5.18% year on year, including 24.303 billion of investment, valuation and exchange gains and losses, an increase of 173 million or 0.72% year on year. Please refer to "(4) Other non-interest income" in this chapter for specific reasons for changes.

During the reporting period, the main changes in the Group's net fee and commission income and the reasons are as follows: agency business revenue reached 3.502 billion, down 33.60% year on year, mainly due to the impact of policy factors such as the "integration of reporting and banking" in the insurance industry and the reform of the rate of public funds in the industry, the Group's income from agency insurance and agency fund business declined year on year. Bank card revenue reached 14.826 billion, down 20.98% year on year, mainly because the residents' consumption ability and willingness were still insufficient, and the industry consumption generally declined. At the same time, the Bank took the initiative to optimize the customer structure, and the revenue from credit card rebates and liquidated damages declined year on year. Investment banking revenue reached 2.316 billion, down 8.13% year on year, mainly due to the continuous reduction of fees and profits and the intensified competition of high-quality projects, and the revenue of financial consultants declined year on year. Custody and other entrusted businesses revenue reached 7.667 billion, down 4.21% year on year, mainly due to the decline in the income from syndicated loan business.

MAJOR CONCERNS OF CAPITAL MARKET

In the next stage, the Group will continue to focus on capacity building of products and services to increase the contribution of net non-interest income. Firstly, in order to adhere to customer focus, the Group will focus on the construction of key scenarios, constantly improve customer service experience, and promote wealth management and payment settlement revenue. Secondly, in order to give full play to the advantages of integration and full license, the Group will strengthen the synergy between local and foreign currencies, offshore, domestic and overseas, parent bank and subsidiaries, and explore the growth points of non homogenous intermediate business income. Thirdly, in order to further improve our trading ability, the Group will maintain an active dealer status, provide high-quality services to customers' investment and trading, hedge and other multi-level needs, and expand the revenue of transactional businesses.

(III) Capital management

During the reporting period, the Group's capital base was further consolidated and its capital structure was more reasonable, which strongly supported the steady development of business in key areas and helped the Group to further improve its service to the real economy and risk resistance.

Firstly, in order to conscientiously implement the requirements of the new capital regulations, the Group improved the capital management system, and strengthen the role of capital in guiding and constraining. Secondly, in order to continuously improve the level of refinement and scientificity of capital management, the Group optimized and improved the economic capital assessment system, and actively promoted business transformation and development and structural optimization. Thirdly, in order to accelerate the external supplement of core tier one capital, the Group reasonably arranged the issuance of various bonds, and helped optimize and improved the capital and debt structure. Fourthly, in order to issue the first total loss absorption capacity (TLAC) non capital bond, the Group actively promoted the TLAC compliance of global systemically materiality banks.

(IV) Real estate loans

The Bank actively implemented various national and regulatory policies and requirements on promoting the steady and healthy development of the real estate market, serving to build a new development model of real estate, and helped to promote a virtuous circle between finance and real estate. In terms of allocation of credit resources for public real estate, the Bank adhered to the general principle of "taking measures for the city and managing by layers", efficiently connected with the urban real estate financing coordination mechanism, satisfied the reasonable financing needs of real estate enterprises with different ownership without discrimination, increased support for key areas such as the construction of "three major projects" and leases housing, and promoted the optimization of the real estate credit structure. At present, BOCOM has a good structure of corporate loans in the real estate industry. Credit assets are concentrated in the Yangtze River Delta, Beijing Tianjin Hebei, Guangdong, Hong Kong and Macao, Chengdu Chongqing, the middle reaches of the Yangtze River and other urban agglomerations with industrial support and population agglomeration effect, and core cities in the metropolitan area. The business structure is mainly residential.

In terms of risk prevention and control, firstly, in order to strengthen access control, the Group adhered to the principles of marketization and rule of law, did a good job in project evaluation, and solidly promoted the work of housing guarantee and delivery to achieve results. Secondly, in order to standardize business development, the Group strengthened the closed operation of project funds, and strengthened the operation and financial status monitoring of real estate enterprises. Thirdly, in order to strengthen risk prevention and control and disposal, the Group improved the effectiveness of risk investigation, achieved early risk identification, early warning, early exposure and early disposal, and adhered to the "one policy for one household" to promote risk resolution.

I. CHANGES IN ORDINARY SHARES

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

	31 December 2024			31 December 2023	
	Number of shares (share)	Percentage (%)	Increase/ decrease during the Reporting Period	Number of shares (share)	Percentage (%)
I. Shares subject to sales restrictions	**–**	**–**	–	–	–
II. Shares not subject to sales restrictions	**74,262,726,645**	**100.00**	–	74,262,726,645	100.00
1. Renminbi ordinary shares	**39,250,864,015**	**52.85**	–	39,250,864,015	52.85
2. Domestically listed foreign shares	**–**	**–**	–	–	–
3. Overseas listed foreign shares	**35,011,862,630**	**47.15**	–	35,011,862,630	47.15
III. Total shares	**74,262,726,645**	**100.00**	–	74,262,726,645	100.00

II. SHAREHOLDERS OF ORDINARY SHARES

As at the end of the Reporting Period, the total number of shareholders of ordinary shares of the Bank was 261,229, of which 231,907 were holders of A shares and 29,322 were holders of H shares. As at 28 February 2025, the total number of shareholders of ordinary shares of the Bank was 274,225, of which 245,103 were holders of A shares and 29,122 were holders of H shares.

(I) Shareholdings of Top 10 Ordinary Shareholders as at the end of the Reporting Period

Name of shareholders (Full name)	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares	Shares pledged or frozen	Nature of shareholders
The Ministry of Finance of the People's Republic of China	–	13,178,424,446	17.75	A Share	Nil	Government
	–	4,553,999,999	6.13	H Share	Nil	
The Hongkong and Shanghai Banking Corporation Limited	(19,300)	0	0.00	A Share	Nil	Foreign legal entity
("HSBC")[2,4]	–	14,135,636,613	19.03	H Share	Nil	
The National Council for Social Security Fund ("SSF")[3,4]	–	3,105,155,568	4.18	A Share	Nil	Government
	–	8,433,333,332	11.36	H Share	Nil	
HKSCC Nominees Limited[4,5]	7,262,721	7,718,723,394	10.39	H Share	Unknown	Foreign legal entity
China Securities Finance Corporation Limited	–	1,891,651,202	2.55	A Share	Nil	State-owned legal entity
Hong Kong Securities Clearing Company Limited ("HKSCC")	402,128,319	1,448,223,371	1.95	A Share	Nil	Foreign legal entity
Capital Airports Holdings Company Limited	–	1,246,591,087	1.68	A Share	Nil	State-owned legal entity
Shanghai Haiyan Investment Management Co., Ltd.[5]	–	808,145,417	1.09	A Share	Nil	State-owned legal entity
Yunnan Hehe (Group) Co., Ltd.[5]	–	745,305,404	1.00	A Share	Nil	State-owned legal entity
FAW Equity Investment (Tianjin) Co., Ltd.	–	663,941,711	0.89	A Share	Nil	State-owned legal entity

CHANGES IN SHARES AND SHAREHOLDERS

Notes:

1. The relevant data and information are based on the Bank's register of members at the Share Registrar and Transfer Office and the information provided by shareholders to the Bank.
2. According to the Bank's register of members, the "HSBC" held 13,886,417,698 H shares of the Bank. HSBC beneficially held 249,218,915 more H shares than shown on the Bank's register of members. The discrepancy was due to a purchase of H shares by HSBC from the secondary market in 2007 and thereafter receiving bonus shares issued by the Bank and participating in the rights issue of the Bank. Those extra shares have been registered under Hong Kong Securities Clearing Company Nominees Limited ("HKSCC Nominees Limited").
3. Including the 1,970,269,383 A shares of the Bank held by the Sixth Transfer Account for State-owned Capital of the National Council for Social Security Fund ("SSF"). Other than the above shareholdings, the SSF held additional 632,052,295 H shares, which were indirectly held by certain asset managers (including Hong Kong Stock Connect). As at the end of the Reporting Period, the SSF held a total of 12,170,541,195 A shares and H shares of the Bank, representing 16.39% of the Bank's total ordinary shares issued.
4. HKSCC Nominees Limited held the H shares of the Bank as a nominee. The aggregate number of shares held by HKSCC Nominees Limited represents the total number of H shares of the Bank held by all institutional and individual investors who maintained an account with it as at the end of the Reporting Period. The data did not include 249,218,915 and 7,027,777,777 H shares indirectly held by HSBC and SSF respectively, which were registered under HKSCC Nominees Limited. The data did not include 13,886,417,698 and 1,405,555,555 H shares of the Bank directly held by the aforementioned two shareholders respectively as well, which were registered in the Bank's register of members.
5. Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd. are parties acting in concert as defined under the Provisional Measures on Shareholdings Administration of Commercial Banks (CBIRC Decree [2018] No. 1). 7 subordinate enterprises of China National Tobacco Corporation including Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd. authorised and entrusted China National Tobacco Corporation to present at the Shareholders' General Meeting of the Bank and to exercise the voting rights on their behalf. HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited ("HKSCC"). Furthermore, The Bank is not aware of the existence of any related relationship among the other Top 10 shareholders, or whether they are parties acting in concert as defined in the Provisional Measures on Shareholdings Administration of Commercial Banks.
6. Except that the situation of HKSCC Nominees Limited. is unknown, the top 10 shareholders of the Bank did not participate in margin trading and refinancing business.

(II) Controlling Shareholders/Actual Controllers

There was no controlling shareholder or actual controller of the Bank.

(III) Substantial Shareholders

In accordance with the Provisional Measures on the Shareholdings Administration of Commercial Banks (CBIRC Decree [2018] No. 1), as at the date of disclosing this Report, the Bank's substantial shareholders including the Ministry of Finance, HSBC, SSF, Capital Airports Holdings Company Limited, Shanghai Haiyan Investment Management Co., Ltd., and Daqing Petroleum Administration Bureau Co.,Ltd. are detailed as follows:

1. *Substantial shareholders holding 5% or more shares of the Bank*[4]

(1) The Ministry of Finance is the largest shareholder of the Bank, which was incorporated in October 1949 as a division of the State Council, in charge of national financial revenue and expenditure as well as fiscal and taxation policies. Its person in charge is Lan Fo An, its registered address is No. 3 South Lane, San Li He, Xicheng District, Beijing and its unified social credit code is 11100000000013186G. As at the end of the Reporting Period, the Ministry of Finance held a total of 17,732,424,445 A shares and H shares of the Bank, representing a shareholding of 23.88% of the Bank. To the knowledge of the Bank, this shareholder did not pledge any shares of the Bank.

4 Excluding HKSCC Nominees Limited.

(2) HSBC is the second largest shareholder of the Bank, which was incorporated in 1866, primarily providing comprehensive local and international banking services and related financial services in the Asia-Pacific region. Its Co-chief Executive Officers are Liao, Yi Chien David and Surendra Rosha, and its registered address is No. 1 Queen's Road Central, Central, Hong Kong. As at the end of the Reporting Period, the ordinary share capital issued by HSBC is HKD123.948 billion and USD7.198 billion, which was divided into 49.579 billion ordinary shares. Its business registration certificate number is 00173611-000, its controlling shareholder is HSBC Asia Holdings Limited, its actual controller is HSBC Holdings plc and its ultimate beneficiary is HSBC Holdings plc. As at the end of the Reporting Period, HSBC beneficially held a total of 14,135,636,613 A shares and H shares of the Bank, representing a shareholding of 19.03% of the Bank. This shareholder has no parties acting in concert. To the knowledge of the Bank, this shareholder did not pledge any shares of the Bank.

(3) The SSF is the third largest shareholder of the Bank, which was incorporated in August 2000. It is an independent legal entity under the management of the Ministry of Finance, responsible for managing and operating national social security fund. Its legal representative is Liu Kun, its registered capital is RMB8.00 million, its registered address is South Wing, Fortune Time Building, No. 11 Fenghuiyuan, Xicheng District, Beijing and its unified social credit code is 12100000717800822N. Pursuant to the regulations of the Ministry of Finance and the Ministry of Human Resources and Social Security, the SSF is entrusted to manage the following funds: national social security fund, central government subsidy for personal accounts, part of basic pension insurance funds for enterprise employees, basic pension insurance fund and part of stateowned capital transferred. As at the end of the Reporting Period, SSF held a total of 12,170,541,195 A shares and H shares of the Bank, representing a shareholding of 16.39% of the Bank. To the knowledge of the Bank, this shareholder did not pledge any shares of the Bank.

Details of related transactions between the Bank and the Ministry of Finance, HSBC and the SSF are disclosed in Note 45. Related Party Transactions to the Consolidated Financial Statements.

2. Other substantial shareholders under regulatory standards

(1) Capital Airports Holdings Company Limited. As at the end of the Reporting Period, Capital Airports Holdings Company Limited held 1.68% shares of the Bank, and did not pledge any shares of the Bank. Capital Airports Holdings Company Limited was established on 13 June 1988 with a registered capital of 55.7 billion and its legal representative is Wang Changyi. Capital Airports Holdings Company Limited is a large cross-regional state-owned enterprise group with the core of airport business. The shareholder's sole controlling shareholder is Civil Aviation Administration of China, with no parties acting in concert.

CHANGES IN SHARES AND SHAREHOLDERS

(2) Shanghai Haiyan Investment Management Co., Ltd. As at the end of the Reporting Period, Shanghai Haiyan Investment Management Co., Ltd. held 1.09% of shares of the Bank, and did not pledge any shares of the Bank. Shanghai Haiyan Investment Management Co., Ltd. was established on 15 October 2009 with a registered capital of 9.0 billion. Its legal representative is Liu Ying, and its main business scopes include industrial investment and investment management, etc. Its sole controlling shareholder is Shanghai Tabacco Group Co., Ltd. This shareholder with Yunnan Hehe (Group) Co., Ltd. and other companies totalling 7 subordinate enterprises (holding 3.00% of the Bank's shares in total) of China National Tobacco Corporation authorised and entrusted China National Tobacco Corporation to present at the Shareholders'General Meeting of the Bank and to exercise their voting right on behalf, constituting a relationship of acting in concert.

(3) Daqing Petroleum Administration Bureau Co.,Ltd. As at the end of the Reporting Period, Daqing Petroleum Administration Bureau held 0.4% of the Bank's shares, and did not pledge any shares of the Bank. Daqing Petroleum Administration Bureau was established on 14 September 1991 with a registered capital of RMB46.5 billion and its legal representative is Zhu Guowen. Its main business scope includes onshore oil and gas exploration and mineral resource exploration. The shareholder's sole controlling shareholder is China National Petroleum Corporation, Limited and it has no parties acting in concert.

As at the end of the Reporting Period, the Bank was involved in related transactions[5] including loans, debt investment and other on-balance sheet credit with the related parties of the aforesaid substantial shareholders. As at the end of the Reporting Period, the on – and off-balance sheet net credit amount was 105.038 billion. The transactions between the Bank and its substantial shareholders and all related parties were conducted in accordance with general commercial terms and conditions, and the terms were fair and reasonable.

5 The related parties included were the main shareholders of the Bank declared based on the *Provisional Measures on Administration of Equities of Commercial Banks and Administrative Measures on Related-party Transactions of Banking and Insurance Institutions*, including: controlling shareholders of the key shareholders, actual controlling party, parties acting in concert, and ultimate beneficiaries; legal person or unincorporated organization controlled by institutions mentioned before; and the related parties recognised by the key shareholders based on the Accounting Standards for Business Enterprises No. 36 Related Party Disclosure.

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

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

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

Name of substantial shareholders	Capacity	Number of H shares	Nature of interest[1]	Percentage of total issued H shares (%)	Percentage of total issued shares (%)
The Ministry of Finance of the People's Republic of China	Beneficial owner	4,553,999,999[2]	Long position	13.01	6.13
HSBC Holdings plc	Interests of controlled corporations	14,135,636,613[3]	Long position	40.37	19.03
The National Council for Social Security Fund	Beneficial owner	9,065,385,627[4]	Long position	25.89	12.21

Notes:

1. Long positions held other than through equity derivatives.
2. To the knowledge of the Bank, as at the end of the Reporting Period, the Ministry of Finance held 4,553,999,999 H shares and 13,178,424,446 A shares of the Bank, respectively representing 6.13% and 17.75% of the total ordinary shares issued by the Bank.
3. HSBC Holdings plc wholly owns HSBC Asia Holdings Limited, which wholly owns HSBC. As at the end of the Reporting Period, HSBC beneficially held 14,135,636,613 H shares of the Bank. Pursuant to the SFO, HSBC Holdings plc was deemed to own the interests associated with the total of 14,135,636,613 A shares and H shares held by HSBC.
4. To the knowledge of the Bank, as at the end of the Reporting Period, the SSF held a total of 9,065,385,627 H shares and 3,105,155,568 A shares (please refer to the details in Shareholdings of Top 10 Ordinary Shareholders and relevant notes) of the Bank, respectively representing 12.21% and 4.18% of the Bank's total ordinary shares issued.

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

CHANGES IN SHARES AND SHAREHOLDERS

III. INFORMATION OF PREFERENCE SHARES

(I) Information of Preference Shareholders

As at the end of the Reporting Period, the number of shareholders of preference shares of the Bank was 65. As at 28 February 2025, the number of shareholders of preference shares of the Bank was 64.

Top 10 Preference Shareholders and Their Shareholdings as at the end of the Reporting Period

Name of shareholders	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares	Shares pledged or frozen	Nature of shareholders
China Mobile Communications Group Co., Ltd.	0	100,000,000	22.22	Domestic preference share	Nil	State-owned legal entity
HwaBao Trust Co., Ltd. – HwaBao Trust – Baofu Investment No.1 Collective Capital Trust Plan	(9,760,000)	39,150,000	8.70	Domestic preference share	Nil	Others
AVIC Trust Company Limited – AVIC Trust – Tiangui Winning Together No. 2 Securities Investment Pooled Fund Trust Plan	0	20,000,000	4.44	Domestic preference share	Nil	Others
CCB Trust Co., Ltd. – CCB Trust – Jianyue Changhong No. 1 Single Capital Trust	20,000,000	20,000,000	4.44	Domestic preference share	Nil	Others
Ping An Life Insurance Company of China, Ltd. – Self-owned fund	0	18,000,000	4.00	Domestic preference share	Nil	Others
China National Tobacco Corporation – Henan Branch	0	15,000,000	3.33	Domestic preference share	Nil	State-owned legal entity
China Life Property & Casualty Insurance Company Limited – Traditional – Common insurance product	0	15,000,000	3.33	Domestic preference share	Nil	Others
Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – Common insurance product	0	13,800,000	3.07	Domestic preference share	Nil	Others
CSCF – China Merchants Bank – CSCF – Preferred No.1 Collective Asset Management Plan	10,585,568	10,585,568	2.35	Domestic preference share	Nil	Others
Postal Savings Bank of China	0	10,000,000	2.22	Domestic preference share	Nil	State-owned legal entity
China National Tobacco Corporation – Shandong Branch	0	10,000,000	2.22	Domestic preference share	Nil	State-owned legal entity
China National Tobacco Corporation – Guangdong Branch	0	10,000,000	2.22	Domestic preference share	Nil	State-owned legal entity
China National Tobacco Corporation – Sichuan Branch	0	10,000,000	2.22	Domestic preference share	Nil	State-owned legal entity
China Pacific Property Insurance Co., Ltd. – Traditional – Common insurance product – 013C-CT001 Hu	0	10,000,000	2.22	Domestic preference share	Nil	Others
Chang Jiang Pension – Bank of China – China Pacific Life Insurance Co., Ltd.	0	10,000,000	2.22	Domestic preference share	Nil	Others

Notes:

1. Shareholdings of preference shareholders are summarised according to the Bank's register members of preference shareholders.
2. "Percentage" refers to the percentage of number of preference shares held by preference shareholders in the total number of preference shares.
3. According to the Administrative Measures on the Connected Transactions of Banking and Insurance Institutions issued by the former CBIRC, to the knowledge of the Bank, China National Tobacco Corporation Henan Branch, China National Tobacco Corporation Shandong Branch, China National Tobacco Corporation Guangdong Branch and China National Tobacco Corporation Sichuan Branch are related with Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd., which are among top 10 ordinary shareholders of the Bank.
4. The Bank is not aware of the existence of any related relationship among the top 10 preference shareholders or any relationship between the above shareholders and top 10 ordinary shareholders, or whether they are parties acting in concert.

(II) Dividends Distribution of Preference Shares

The Bank distributed dividends annually for the preference shares in cash. In the event that the Bank resolved to cancel part or all of the dividends of preference shares, the difference in the amount of dividends not fully paid to the shareholders of preference shares in the current period did not accrue to the subsequent interest period. Preference shareholders would not participate in the distribution of the residual earnings with ordinary shareholders after receiving dividends as agreed.

In accordance with the resolution and authorisation of the Shareholders' General Meeting, the 13th meeting of the 10th Session of the Board of Directors of the Bank was held on 26 April 2024, at which the proposal for the dividend distribution of "BOCOM PREF1" was considered and approved. The dividend on "BOCOM PREF1" was calculated at the nominal dividend yield of 4.07% and amounted to RMB1,831,500,000, which was distributed on 9 September 2024 in cash. Please refer to the announcement published by the Bank on 30 August 2024 for details of dividend distribution of preference shares.

(III) Restoration of Voting Rights of Preference Shares

During the Reporting Period, the Bank did not restore any voting rights of preference shares.

(IV) Accounting Policy for Preference Shares and its Rationale

According to the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments issued by the Ministry of Finance, the International Financial Report Standards 9 – Financial Instruments and the International Accounting Standards 32 – Financial Instruments: Presentation issued by International Accounting Standards Board as well as substantial terms and conditions of the preference shares issued by the Bank, the preference shares of the Bank were classified as equity instruments.

IV. ISSUANCE, LISTING, TRADING AND REDEMPTION/PAYMENT OF SECURITIES

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

The Bank did not issue preference shares during the past three years. During the Reporting Period, there was neither any redemption nor conversion of preference shares.

The Bank has no employee stock.

CHANGES IN SHARES AND SHAREHOLDERS

(I) Issuance, Redemption/Payment of Bonds

In April 2024, the Bank issued a 26.0 billion tier-2 capital bond in China's National Interbank Bond Market, including 15.0 billion with a term of 5+5 years and a coupon rate of 2.45% and 11.0 billion with a term of 10+5 years and a coupon rate of 2.60%. The proceeds were all used for supplementing the Bank's tier-2 capital.

In May 2024, the Bank issued a 25.0 billion straight bond in China's National Interbank Bond Market with a term of 3 years and a coupon rate of 2.20%. The proceeds were all used for supplementing the Bank's medium – and long-term stabilization funds.

In May 2024, the Bank issued a 5.0 billion green financial bond in China's National Interbank Bond Market with a term of 3 years and a coupon rate of 2.14%. The proceeds were all used for green industry projects stipulated in *the Green Bond Endorsed Projects Catalogue (2021 Edition)* and the *Common Ground Taxonomy*.

In July 2024, the Bank issued a 30.0 billion tier-2 capital bond in China's National Interbank Bond Market, including 20.0 billion with a term of 5+5 years and a coupon rate of 2.18% and 10.0 billion with a term of 10+5 years and a coupon rate of 2.37%. The proceeds were all used for supplementing the Bank's tier-2 capital.

In August 2024, the Bank issued a 40.0 billion undated capital bonds in China's National Interbank Bond Market and a coupon rate of 2.30%. The proceeds were all used for supplementing the Bank's other tier-1 capital.

In September 2024, the Bank issued a 30.0 billion straight bond in China's National Interbank Bond Market with a term of 3 years and a coupon rate of 1.95%. The proceeds were all used for supplementing the Bank's medium – and long-term stabilization funds.

In October 2024, the Bank issued a 20.0 billion straight bond in China's National Interbank Bond Market with a term of 3 years and a coupon rate of 2.14%. The proceeds were all used for supplementing the Bank's medium – and long-term stabilization funds.

In November 2024, the Bank issued a 30.0 billion total loss absorbing capacity non-capital bond in China's National Interbank Bond Market with a term of 3+1 years and a coupon rate of 2.11%. The proceeds were all used for improving the Bank's total loss absorption capacity.

The Bank paid the total of 40.0 billion special financial bond for loans to small and micro enterprises in China's National Interbank Bond Market in April 2024 with the approval of the NFRA and redeemed 30 billion of secondary capital bonds (10-year bonds, with the issuer's right of redemption at the end of the fifth year) and 40 billion of undated capital bonds (with the issuer's right of redemption from the fifth year) in full in August and September, respectively. Please refer to "Note 30. to the Consolidated Financial Statements: Debt Securities Issued" for other bonds issued and still in existence by the Bank and subsidiaries.

(II) Equity Linked Agreement

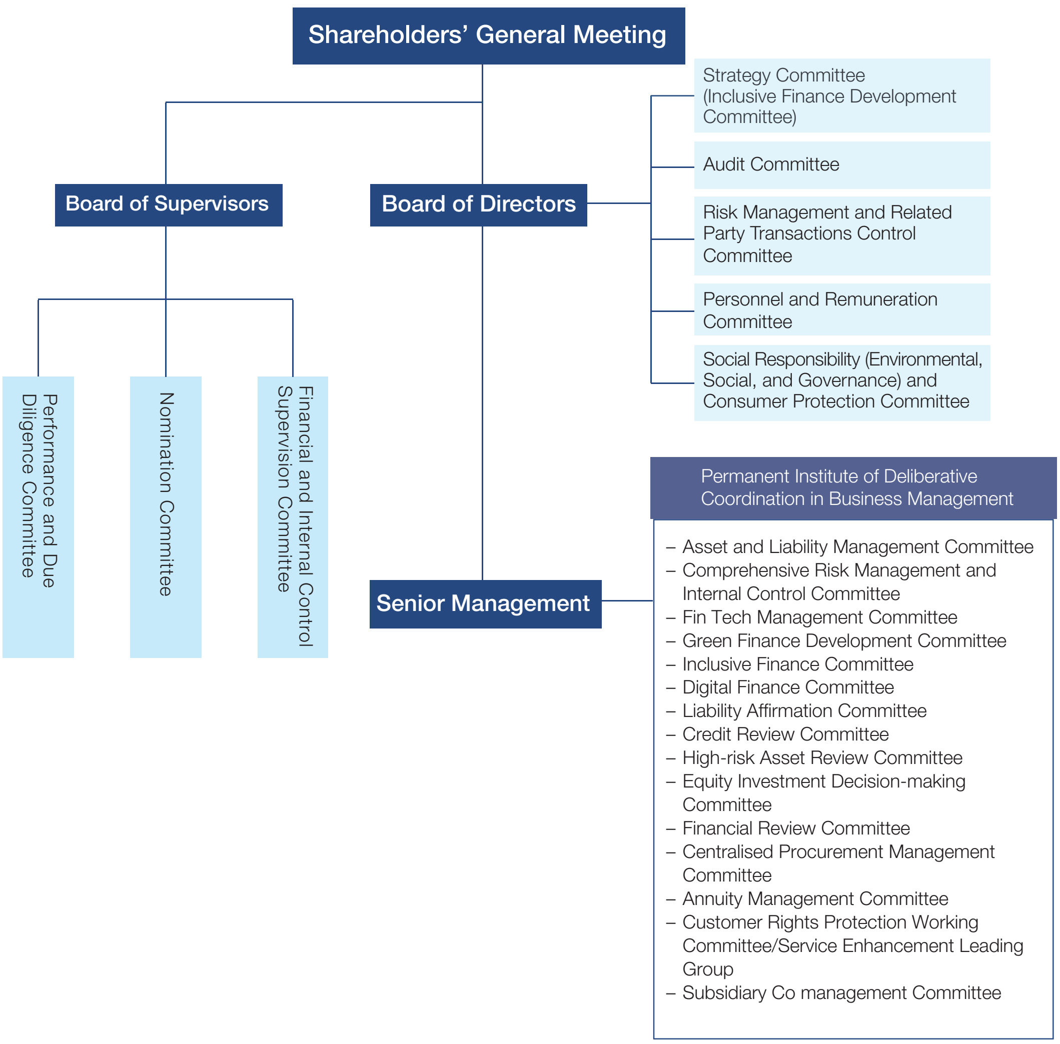
The Bank privately issued domestic preference shares with an amount of 450 million in September 2016. Assuming that the Bank triggers a mandatory share conversion event and all preference shares are mandatorily required to be converted into ordinary shares at the initial share conversion price, the number of the above domestic preference shares being converted into ordinary A shares will not exceed 7.2 billion shares. Please refer to "Note 33. to the Consolidated Financial Statements: Other Equity Instruments" for other details of domestic preference shares.

CORPORATE GOVERNANCE

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

I. CORPORATE GOVERNANCE STRUCTURE

The Bank established a corporate governance structure comprising the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and Senior Management, with clearly defined authorities and responsibilities, balanced equilibrium and coordinated and independent operation.



CORPORATE GOVERNANCE

II. CURRENT STATUS OF CORPORATE GOVERNANCE

The Bank strengthened the Party's leadership in the improvement of corporate governance and improved the coordination and communication mechanism between the Party Committee, the Board of Directors and the Board of Supervisors. The Bank actively strengthened the construction of the Board of Directors and built a diversified and professional Board of Directors with international horizons. The Bank effectively carried out the core responsibilities of strategic decision-making of the Board of Directors, expert consultation and risk management, and fostered the governance culture and values featured with prudence, compliance, openness and transparency. In addition, the Bank enhanced the supervisory function of the Board of Supervisors, and especially focused on supervising the implementation of national economic and financial policies and major strategies, as well as the performance of duties, financial activities, internal control and risk management of the Board of Directors, senior management and its members. The senior management implemented business development strategies and various decisions of the Shareholders' General Meeting and the Board of Directors to achieve the business management goals and promote the high-quality development of the Bank.

During the Reporting Period, the Bank further strengthened the institution and improved the corporate governance system. The *Equity Management Measures* were formulated and the *Investor Relations Management Measures* were revised during the year, laying a good foundation for further equity management, investor relations and market capitalisation management. The Bank formulated or revised multiple systems for market risk, operational risk, IT risk, country risk, risk measurement, and further consolidated the foundation of risk management.

Corporate governance operations of the bank were in compliance with relevant laws, administrative regulations, and the regulations of the China Securities Regulatory Commission (CSRC) and the National Financial Regulatory Administration (NFRA) on the governance of listed companies, and there were no significant differences.

III. SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS

(I) Shareholders

The largest three shareholders of the Bank are the Ministry of Finance, HSBC and the SSF. The Bank was independent from all shareholders in terms of its businesses, employees, assets, institutions and finance and possessed the capacity of independent and complete autonomy over its business and operations. The entire businesses of the Bank were listed as a whole and there was no horizontal competition or related transactions arising from certain restructuring. The Bank laid great importance to the protection of shareholders' equity and maintained smooth communication channels with shareholders through holding Shareholders' General Meeting and performance announcements, hosting shareholders and setting up investor hotline and emails to ensure that all shareholders enjoy equal status and have the right of knowledge, participation and voting on significant matters. Shareholders can make inquiries to the Board of Directors and make proposals at the Shareholders' General Meeting through the contacts and contact information listed in the "Corporate Information" of this Annual Report. Please refer to Article 95 and Article 107 of the Articles of Association of the Bank for the method of convening the Extraordinary General Meeting of Shareholders and the procedure of putting forward proposals at the Shareholders' General Meeting.

(II) Shareholders' General Meetings

The Shareholders' General Meeting is the highest authority of the Bank, and exercises relevant functions in accordance with laws. During the Reporting Period, the Shareholders' General Meetings were convened and held in strict accordance with the relevant laws and regulations and the Articles of Association of the Bank. Details are presented on the website of the Bank at www.bankcomm.com, the website of Shanghai Stock Exchange at www.sse.com.cn and the website of HKEx News at www.hkexnews.hk.

Session	Date	Proposal	Resolution	Website Designated for Publishing Resolution
2024 First Extraordinary General Meeting	28 February 2024	4 proposals including *the amendments to the Authorisation to the Board by the General Meeting of Bank of Communications Co., Ltd.*	Pass	The official website of the Bank www.bankcomm.com The SSE website www.sse.com.cn The website of the Hong Kong Stock Exchange www.hkexnews.hk
2023 Annual General Meeting	26 June 2024	9 proposals including *the report of the board of directors of the Bank for the year ended 31 December 2023*	Pass	The same as above
2024 Second Extraordinary General Meeting	27 December 2024	7 proposals including *the 2024 interim profit distribution plan*	Pass	The same as above

(III) Implementation of the Resolutions of Shareholders' General Meeting By the Board of Directors

The Board of Directors of the Bank fully promoted and implemented the relevant resolutions passed by Shareholders' General Meeting during the Reporting Period, and exercised its functions and powers in strict accordance with *the Bank's Authorisation to Board of Directors by the Shareholders' General Meeting*.

IV. BOARD OF DIRECTORS AND SPECIAL COMMITTEES

The Bank has developed complete and sound procedures for the nomination and election of Directors, which are specified in Articles of Association. The Bank understands and recognises the importance of diversification of members of the Board of Directors, which the Bank views as the vital aspect to improve the effectiveness of corporate governance and to achieve the sustainable development of the Bank. During the process of nominating and appointing members of the Board of Directors, the Bank fully considered the objectives and requirements of diversified candidates, including talent and skills, industry experience, educational background, cultural value, gender, age, etc., to ensure that the Board of Directors could effectively perform its functions from a professional and diversified perspective. The Bank's Board of Directors aims to maintain at least one female director (as at the end of the reporting period, Ms. Li Xiaohui was an independent director of the Bank). The term of office of the Directors of the Bank is 3 years. Directors can be re-elected upon expiry of the term of office and Independent Non-executive Directors' accumulated tenure in the Bank cannot exceed 6 years.

CORPORATE GOVERNANCE

(I) Constitution of the Board of Directors

As at the end of the Reporting Period, the Board of Directors comprised 18 members, including 4 Executive Directors, namely Mr. Ren Deqi, Mr. Zhang Baojiang, Mr. Yin Jiuyong and Mr. Zhou Wanfu, among which, Mr. Ren Deqi was appointed as the Chairman and Mr. Zhang Baojiang was appointed as the Vice Chairman, 8 Non-executive Directors, namely Mr. Li Longcheng, Mr. Wang Linping, Mr. Chang Baosheng, Mr. Liao, Yi Chien David, Mr. Chan Siu Chung, Mr. Mu Guoxin, Mr. Chen Junkui and Mr. Luo Xiaopeng, and 6 Independent Non-executive Directors, namely Mr. Shi Lei, Mr. Zhang Xiangdong, Ms. Li Xiaohui, Mr. Ma Jun, Mr Wong Tin Chak and Mr. Xiao Wei.

The Bank ensures that all directors adhere to high ethical standards. The Executive Directors, who have extensive professional knowledge and business management experience of banking, are engaged in the operation and management of commercial banks. With years of experience in fiscal, economic, financial, auditing, and business management sectors, the Non-executive Directors have developed in-depth understanding of policies and practical experience in management. As experts and scholars in domestic and overseas economic, financial, auditing and legal fields, the Independent Non-executive Directors are familiar with domestic and overseas regulatory requirements, laws and regulations, corporate governance, operation and management of commercial banks. The number of Independent Non-executive Directors of the Bank accounted for one-third of the total number of Directors, which met the regulations requirements.

Constitution of the Board of Directors at the end of the reporting period as below:

Type of Director	Executive Director	Non-executive Director	Independent Non-executive Director
	4	8	6
Location	China	Hong Kong	
	14	4	
Age	Below 50	50-60	Over 60
	1	9	8
Gender	Male	Female	
	17	1	
The term of office of the Directors	Over 3 years	Below 3 years	
	10	8	

(II) Responsibilities of the Board of Directors

The Board of Directors, the decision-making institution of the Bank, is responsible for the Shareholders' General Meeting and takes ultimate responsibilities for business management. The Board of Directors exercises powers and performs duties within the terms of reference as stipulated under the laws, regulations and the Articles of Association of the Bank and as authorised by the Shareholders' General Meetings to protect the legitimate interests of the Bank and its shareholders. The main responsibilities include convening and reporting to Shareholders' General Meetings; executing resolutions of Shareholders' General Meetings, determining business plans and investment proposals, developing profit distribution plan etc. as set forth in the Articles of Association.

During the reporting period, the Board continued to promote strategic implementation and transformation development, and achieved the main business objectives of the Group. The Bank's cash dividend ratio exceeded 30% for the twelfth consecutive year. During the reporting period, the Bank launched a mid-term dividend in 2024, and shareholder returns continued to maintain a good level. During the reporting period, the Board of Directors mainly carried out the following five areas of work: first, adhering to strategic leadership and continuously promoting high-quality development; second, performing its duties and continuously enhancing the effectiveness of corporate governance; third, practicing ESG concepts in-depth and actively serving economic and social development; fourth, maintaining good investor relations and continuously enhancing information transparency; and fifth, adhering to the concepts of prudence and steadfastness and enhancing the ability of comprehensive risk management.

During the Reporting Period, in strict accordance with laws, regulations and supervisory rules such as the *Company Law, the Code of Corporate Governance of Listed Companies* and *the Corporate Governance Standards for Banking and Insurance Institutions* as well as the Articles of Association of the Bank, Directors of the Bank faithfully, diligently, conscientiously and prudently fulfilled their duties, conscientiously attended the Shareholders' General Meeting, meetings of the Board of Directors, Special Committees under the Board of Directors and other meetings held by the Board of Directors and carefully reviewed various proposals. The Directors made decisions on the strategic management, risk management, internal control, profit distribution, nomination and compensation, major investments, equity financing, bond issuance, related party transactions and other major issues of the Bank, and raised no objection to the resolutions of the Board of Directors. The senior management of the Bank attached great importance to and actively adopted opinions or suggestions proposed by the Directors, regularly formed the Report on Implementation of Directors' Opinions and submitted it to the Board of Directors.

In addition, the Bank's corporate governance functions specified in the Corporate Governance Code are also performed by the Board of Directors. During the Reporting Period, the work carried out by the Board of Directors in this regard included regular inspection and evaluation of the implementation of the corporate governance system, inspection of the Bank's policies and practices in compliance with legal and regulatory provisions and review of the Bank's compliance with the Corporate Governance Code and its disclosure in this section.

CORPORATE GOVERNANCE

(III) Meetings of the Board of Directors

The Bank formulated Rules of Procedures for the Board of Directors Meetings, which specified stringent requirements regarding the convening manner, notice, procedures, agendas and minutes of the Board's meetings. During the Reporting Period, the Board of Directors of the Bank held nine meetings, including six on-site meetings and three written resolution by means of circulation for consideration. The meeting reviewed and approved 79 proposals such as Periodical Results Announcement, Annual Business Plan, Profit Distribution Plan, Fixed Assets Investment Plan, Issuance of total loss absorbing capacity non-capital bond; The Special Committees under the Board of Directors held 25 meetings. All of the above meetings were held in accordance with the requirements of the Articles of Association, Rules of Procedures for Board of Directors Meetings and the Code of Corporate Governance. Attendance of Directors of the Bank at the Shareholders' General Meeting, meetings of the Board of Directors and Special Committees under the Board of Directors during the Reporting Period is set out as follows:

Attendance at on-site meetings in person/Number of on-site meetings should be attended

			Special Committees under the Board of Directors				
	Shareholders' General Meeting	The Board of Directors	Strategy Committee (Inclusive Finance Development Committee)	Audit Committee	Risk Management and Related Party Transaction Control Committee	The Personnel & Remuneration Committee	Social Responsibility (Environmental, Social and Governance, ESG) and Consumer Protection Committee
Executive Director							
Ren Deqi	2/3	5/6	4/5	–	–	–	–
Zhang Baojiang	1/1	2/2	2/2	–	–	–	2/2
Yin Jiuyong	3/3	4/5	–	–	4/4	–	–
Zhou Wanfu	2/3	5/5	–	–	–	–	2/3
Non-executive Director							
Li Longcheng	3/3	6/6	–	5/5	–	6/6	–
Wang Linping	3/3	6/6	5/5	–	5/5	–	–
Chang Baosheng	3/3	6/6	–	4/5	–	–	3/3
Liao, Yi Chien David	0/3	6/6	–	–	–	5/6	–
Chan Siu Chung	0/3	6/6	–	–	–	–	3/3
Mu Guoxin	2/3	6/6	5/5	–	5/5	–	–
Chen Junkui	2/3	5/6	4/5	4/5	–	–	–
Luo Xiaopeng	2/3	6/6	5/5	–	–	–	3/3
Independent Non-executive Director							
Shi Lei	2/3	6/6	–	5/5	–	6/6	–
Zhang Xiangdong	3/3	6/6	–	5/5	5/5	–	–
Li Xiaohui	3/3	6/6	–	5/5	–	6/6	–
Ma Jun	3/3	6/6	4/5	–	3/5	–	–
Wong Tin Chak	2/3	6/6	–	4/5	5/5	–	–
Xiao Wei	0/1	1/1	–	–	1/1	1/1	–
Former Director							
Liu Jun	1/1	2/3	3/3	–	–	–	1/1
Cai Haoyi	2/2	5/5	–	–	4/4	5/5	–

Note: Directors who were unable to attend meetings of the Board of Directors or Special Committees under the Board of Directors in person had entrusted other directors to attend and exercise voting rights on their behalf.

The meeting of the Board of Directors is as follows:

Session	Date	Proposal	Resolution	Website Designated for Publishing Resolution
The 11th Meeting of the 10th Board of Directors	26 January 2024	6 proposals including *Financial Bond Issuance Quota*	All Approved	The official website of the Bank The SSE website The website of the Hong Kong Stock Exchange
The 12th Meeting of the 10th Board of Directors	27 March 2024	23 proposals including the *report of the board of directors of the Bank for the year ended 31 December 2023*	All Approved	The same as above
The 13th Meeting of the 10th Board of Directors	26 April 2024	15 proposals including *the 2024 First Quarter Performance Report and Results Announcement*	All Approved	The same as above
The 14th Meeting of the 10th Board of Directors (written transmission of signatures)	14 May 2024-17 May 2024	Proposal on *Chairman Ren Deqi's Acting as President*	All Approved	The same as above
The 15th Meeting of the 10th Board of Directors	4 June 2024	3 proposals including *Proposal to the General Meeting of Shareholders to elect Mr. Zhang Baojiang as Executive Director*	All Approved	The same as above
The 16th Meeting of the 10th Board of Directors (written transmission of signatures)	17 June 2024-21 June 2024	Proposal on *Audit Structure Reform Plan*	All Approved	The same as above
The 17th Meeting of the 10th Board of Directors	28 August 2024	14 proposals including *the 2024 Interim Report and Results Announcement*	All Approved	The same as above
The 18th Meeting of the 10th Board of Directors	30 October 2024	14 proposals including *the 2024 Third Quarter Performance Report and Results Announcement*	All Approved	The same as above
The 19th Meeting of the 10th Board of Directors (written transmission of signatures)	2 December 2024-13 December 2024	2 proposals including *Financial Technology Innovation Functional Structure Optimization Plan*	All Approved	The same as above

(IV) Special Committees under the Board of Directors

The Board of Directors set up Strategy Committee (Inclusive Finance Development Committee), Audit Committee, Risk Management and Related Party Transaction Control Committee, Personnel & Remuneration Committee and Social Responsibility (ESG) and Consumer Protection Committee, among which, the Strategy Committee and Inclusive Finance Development Committee perform duties in combination. The Risk Management and Related Party Transaction Control Committee assumed the responsibilities of the US Risk Management Committee. And the Personnel & Remuneration Committee performed the functions both nomination and remuneration.

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As at the end of the Reporting Period, Special Committees under the Board of Directors were as follows:

Board of Directors/ Special Committees under the Board of Directors	Strategy Committee (Inclusive Finance Development Committee)	Audit Committee	Risk Management and Related Party Transaction Control Committee	Personnel & Remuneration Committee	Social Responsibility (ESG) and Consumer Protection Committee
Executive Directors					
Ren Deqi	Chairman				
Zhang Baojiang	Member				Chairman
Yin Jiuyong			Member		
Zhou Wanfu					Member
Non-executive Directors					
Li Longcheng		Member		Member	
Wang Linping	Member		Member		
Chang Baosheng		Member			Member
Liao, Yi Chien David				Member	
Chan Siu Chung					Member
Mu Guoxin	Member		Member		
Chen Junkui	Member	Member			
Luo Xiaopeng	Member				Member
Independent Non-executive Directors					
Shi Lei		Member		Member	
Zhang Xiangdong		Member	Chairman		
Li Xiaohui		Chairman		Member	
Ma Jun	Member		Member		
Wong Tin Chak		Member	Member		
Xiao Wei			Member	Chairman	

During the Reporting Period, the performance results of each Special Committee under the Board of Directors were as below:

1. Strategy Committee (Inclusive Finance Development Committee). The Strategy Committee is primarily responsible for deliberating and studying the Bank's development strategy, medium and long-term development plans and financial technology plans, data governance plans, etc., inspecting, monitoring and evaluating the implementation; analyzing and evaluating the Bank's assets management, deliberating and studying capital planning and capital replenishment plans; deliberating and studying the Bank's significant investment plans (including Significant equity investment); deliberating and studying the Bank's annual business plans, formulating and reviewing the strategic plans for the development of inclusive financial business, operating plan, basic policy system, etc. deliberating and studying the establishment of internal functional departments of the Bank and the establishment plans of domestic first-tier branches, overseas branches and domestic and foreign subsidiaries; inspecting and evaluating the implementation of the Bank's corporate governance, monitoring and evaluating the compliance and effectiveness of corporate governance.

During the Reporting Period, Strategy Committee (Inclusive Finance Development Committee) held 6 meetings on 26 January, 25 March, 25 April, 27 August, 29 October and 2 December to 13 December (written transmission of signatures) respectively, reviewed and approved 34 proposals, presented professional recommendations to the Board of Directors. The Committee effectively played a strategic leading role, reviewed and approved the annual business plan, issuance limit of total loss absorbing capacity non-capital bond, and the optimization plan for the functional structure of financial technology innovation. The Strategy Committee strengthened strategic management, further revised the Outline of the Development Plan for the 14th Five-Year Plan Period (2021-2025) according to the authorization of the Board of Directors, carried out the mid-term evaluation of the 14th Five-Year Plan, conducted dynamic monitoring of the implementation of the strategic plan of the whole bank, and promoted the implementation of the strategy in key areas. The Committee listened to reports on the development of key businesses such as science and technology finance, inclusive finance, and green finance, and promoted the "five priorities" of finance. The Committee continuously strengthened system construction, revised the Investor Relations Management Measures, Equity Management Measures and Capital Management Measures, and submitted them to the Board of Directors for consideration and approval; strengthened the construction of corporate governance mechanism, and summarized and assessed the implementation of annual authorization of operation. In the course of deliberating on the motions and listening to the reports, the Committee proposed to maintain strategic stability, adhere to systematic thinking and concepts, grasp the balance of "volume, price and risk" in the process of business development, unswervingly push forward the retail transformation, and make good use of the digital platform and digital tools, etc.

2. Audit Committee. The Audit Committee is mainly responsible for proposing the appointments, reappointments or dismissal of the Bank's auditors who conduct regular statutory audits for the Bank's financial reports and is responsible for specific implementation matters. The Committee monitors and evaluates the relationship between the Bank and external auditors and the work of external auditors; guiding, assessing and evaluating internal audit work, internal audit system and implementation; coordinating the communication between the Bank's senior management, internal audit department, relevant departments and external auditors; reviewing the Bank's financial information and its disclosure, inspecting accounting policies and practices, supervising financial status and financial reporting procedures, and expressing opinions on financial reports; supervising and evaluating the effectiveness of the Bank's internal controls, and examining internal controls (including financial controls) system and its implementation.

During the Reporting Period, The Audit Committee held 5 meetings on 26 March, 25 April, 13 June, 27 August and 29 October respectively, reviewed and approved 35 proposals. Among them, the Committee strictly complied with the listing rules and accounting standards, monitored and reviewed regular reports, regularly communicated with the senior management and external auditors, expressed opinions on the authenticity, completeness and accuracy of the Bank's financial information. The Audit Committee considered and adopted the annual work plan of the internal audit, the report on the services of the external auditor, listened to the report on the work of the internal audit on a quarterly basis, evaluated the work of the internal and external audits, urged the external auditors to continuously optimize the audit implementation process, strengthened audit information security management, and provided

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more management suggestions and support services in line with the Bank's actual situation. The Audit Committee continuously supervised and reviewed the Bank's internal control system, considered the annual internal control evaluation report, assessed and supervised the effectiveness of the internal control system; The Audit Committee listened to the report on important issues identified by internal audits and their rectification, and strengthened the supervision of rectification of the identified issues. During the deliberation of the proposal, suggestions were put forward to continuously optimize the audit working mechanism, strengthen the construction of the audit team, and steadily promote the reform of the audit structure.

3. Risk Management and Related Party Transaction Control Committee. The Committee is primarily responsible for reviewing and revising the Bank's risk strategy, risk management policies, risk appetite, comprehensive risk management framework and internal control system based on the Bank's overall strategy; monitoring and commenting on the Bank's comprehensive risk management; supervising the senior management to effectively identify, measure, monitor, control and deal with various risks in a timely manner; regularly reviewing the Bank's annual risk appetite, setting scientific and reasonable risk preference statement, risk tolerance and risk limit; assuming the responsibilities of the US Risk Management Committee; reviewing and amending the Bank's basic system for management of related party transactions, reviewing and amending the policies of consolidated statements management; establishing the goal of building the Bank's money laundering risk management culture; promoting a robust risk culture; reviewing the Bank's significant fixed asset investment, asset disposal, bad debt write-off, asset mortgage or external guarantee, etc.

During the Reporting Period, the Risk Management and Related Party Transaction Control Committee held 5 meetings on 26 January, 26 March, 25 April, 27 August and 29 October respectively, reviewed and approved 36 proposals and presented professional recommendations to the Board of Directors. The Committee continuously supervised the overall risk management and reviewed the comprehensive risk assessment report on a quarterly basis, assessed the effectiveness of risk management and control including credit risk, liquidity risk, market risk, internal control and operational risk, anti-money laundering compliance and country risk, etc. The Committee also continuously supervised the risk management system, and reviewed the annual risk appetite and risk policy, the risk assessment report on the management of consolidated statements, anti-money laundering, connected transactions, compliance and risk management of the U.S. branches, etc. In the course of deliberating on the motions, the Committee was proposed to put forward suggestions such as strengthening forward-looking research and judgment on risk situation, continuously focusing on risk prevention and control in key areas, solidly improving the effectiveness of risk management, and strengthening the "strict control of new and cleared stocks".

4. Personnel & Remuneration Committee. The Personnel & Remuneration Committee is primarily responsible for making recommendations to the Board of Directors on its scale and structure according to the operating results, the scale of assets and the structure of shareholding, approving and amending the policies on diversification of members of the Board of Directors, making recommendations to the Board of Directors on formulating the selection procedures and assessment criteria for the Bank's directors and senior management personnel, reviewing the basic systems and policies of remuneration management and putting forward suggestions on the salary distribution plan of directors and senior managers and then submitting it to the Board of Directors for deliberation. The Personnel & Remuneration Committee performed the functions both as a Nomination Committee and a Remuneration Committee.

The Personnel & Remuneration Committee's nomination procedures for the directors and senior management of the Bank are as follows: Firstly, understand the Bank's demands for directors in time. Secondly, extensively search for candidates of directors according to the demands. Thirdly, determine the initial candidates. The office of the board of directors collects and organizes the resumes of initial candidates and form written materials. Fourthly, obtain initial candidates' agreements or they can not be the candidates of directors. Fifthly, convene the meetings of the Personnel & Remuneration Committee to conduct examinations for the qualification of the initial candidates based on the Bank's employment conditions for directors. Sixthly, propose to the Board of Directors about the election of new director and report written deliberation opinions to the board of directors. Seventhly, implement other following duties based on decisions and feedbacks of the Board of Directors.

During the Reporting Period, the Personnel & Remuneration Committee held 6 meetings on 26 January, 26 March, 25 April, 4 June, 27 August, 29 October respectively, reviewed and approved 23 proposals, including the election of directors, the remuneration package for directors and senior management for the year 2023, and the renewal or appointment of senior management. During the deliberation of the proposal, the Committee put forward suggestions such as continuously strengthening the system construction, increasing the publicity and guidance of relevant systems such as industrial rules, responsibility identification and accountability, and standardizing employees' employment behavior.

5. Social Responsibility (ESG) and Consumer Protection Committee. The Committee is primarily responsible for formulating the Bank's social responsibility strategies and policies and fulfilling plans and measures of social responsibilities; Researching, formulating, evaluating and improving the effectiveness of the Bank's performing social responsibilities; reviewing the strategies, policies and goals on protecting the consumers' rights; studying key issues and significant policies on consumer's rights protection; being responsible for green finance work, establishing and implementing green development concepts such as economizing, low-carbon, environmental protection, and sustainable development in the Bank; approving external donations according to the authorisation of the Board of Directors, submitting to the Board of Directors or general meeting of shareholders for approval of additional external donations; monitoring and evaluating the implementation of the Bank's social responsibilities, consumer protection, green finance development, etc.

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During the Reporting Period, the Committee held 3 meetings on 25 March, 27 August, and 29 October respectively, reviewed and approved 11 proposals, and presented professional recommendations to the Board of Directors. The Committee attached great importance to and continuously strengthened its work on consumer protection, regularly reviewed the report on the protection of consumer rights and interests, listened to the regulatory report on consumer complaints and rectification measures, and put forward suggestions on further improving the assessment and evaluation mechanism of consumer protection, establishing a "big consumer protection" pattern, focusing on problem rectification, source rectification, strengthening system construction, strengthening digital empowerment, improving work efficiency and service efficiency, and safeguarding the legitimate rights and interests of consumers. The Committee continued to promote the Bank's green financial development, reviewed the annual report on green financial work, and put forward suggestions on continuously improving the working mechanism and system of green finance and promoting the integration of green development concept into all aspects of the Group's business. The Committee reviewed the first special climate information disclosure report at the group level, the 2023 Environmental Information Disclosure Report, and made a good connection in advance for the future application of higher climate information disclosure criteria. The Committee actively fulfilled the responsibility of state-owned banks, reviewed external donation plans, and strengthened the implementation and evaluation of donation budgets.

During the Reporting Period, the Directors of the Bank did not raise objections to the proposals of the Board of Directors and the Special Committees of the Board of Directors.

(V) Independent Non-Executive Directors

The Bank further implemented the reform of the independent director system, revised the Working System of Independent Directors, ensured that independent directors were diligent and responsible in strict accordance with relevant regulatory requirements, prudently exercised the rights granted by the company and shareholders, and gave full play to the role of independent directors in corporate governance to ensure that the Board could obtain independent views and opinions.

1. During the performance of their duties, the Independent Directors continued to pay attention to matters such as major connected transactions, profit distribution plan, nomination of directors, appointment of senior management, remuneration of directors and senior management, and appointment of accounting firms. During the reporting period, the Independent Directors issued independent opinions on 22 motions considered by the Board of Directors.

2. As at the end of the Reporting Period, the Bank had 6 independent directors, which met the requirements of domestic and overseas regulatory rules on the number and the proportion of independent directors in the Board of Directors. Their qualifications (including independence, qualification and ability assessment) were in compliance with the domestic and overseas regulatory regulations at the time of appointment and during their terms of office. The independence of the independent non-executive directors was effectively safeguarded as they did not have any businesses or financial interests in the Bank or its subsidiaries and they did not assume any executive positions in the Bank. The Bank received annual independence confirmation letters from all independent non-executive directors and considered that each of the independent non-executive directors was independent.

3. During the Reporting Period, the time that each independent non-executive director devoted to the work of the Bank was in compliance with the requirements of *the Articles of Association* and *the Working Practice of Independent Director*s of the Bank. The Special Committees under the Board of Directors, namely Audit Committee, Risk Management and Related Party Transactions Control Committee and Personnel & Remuneration Committee, were all chaired by independent non-executive directors. The independent non-executive directors actively voiced their comments or suggestions in the Board's meetings. The Board of Directors paid great attention to comments or suggestions proposed by independent non-executive directors and required senior management to study them. During the Reporting Period, the Bank held two special meetings of independent directors to study and discuss business development and major related-party transactions. In addition to attending meetings, each independent non-executive director communicated with senior management effectively through various channels including on-site research and discussion sessions. The Chairman of the Board also meets the Independent Directors annually in the absence of the Executive Directors and Non-Executive Directors.

In addition, the Directors of the Bank may seek independent professional advice when necessary, and the relevant costs will be borne by the Bank. The Board has reviewed the implementation of the above mechanism during the reporting period and considered that it is effective in ensuring that the Board has access to independent views and opinions. Details about the fulfilment of duty of independent non-executive directors of the Bank during the Reporting Period were disclosed in *the Work Report of the Independent Non-executive Directors for 2024* published on the website of the SSE and the website of the Hong Kong Stock Exchange.

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(VI) Participation in Training and Research by Directors during the Reporting Period

The Directors of the Bank have continued to enhance their ability to perform their duties by actively conducting research and attending training. During the reporting period, taking into account the economic and financial situation as well as the Bank's business development priorities, the Non-executive Directors and Independent Non-executive Directors of the Bank carried out research activities in a number of domestic and overseas branches, with the topics of research including the implementation of the development strategy, development of the inclusive finance, risk management, etc. The Directors have written a number of research reports for the reference of the Board of Directors and senior management, which have contributed to the improvement of the Bank's operation and management level. During the reporting period, the Bank actively organised various forms of online and offline training for directors to help them improve their abilities in performing their duties.

Major Trainings		Attendees
1.	Hong Kong Corporate Governance Association The 75th Enhanced Continuing Professional Development Seminar for Corporate Governance Professionals	Li Longcheng, Wang Linping, Chang Baosheng
2.	Hong Kong Corporate Governance Association The 76th Enhanced Continuing Professional Development Seminar for Corporate Governance Professionals	Li Longcheng, Mu Guoxin
3.	Hong Kong Corporate Governance Association The 79th Enhanced Continuing Professional Development Seminar for Corporate Governance Professionals	Li Longcheng, Wang Linping, Chang Baosheng, Mu Guoxin, Zhang Xiangdong
4.	Shanghai Stock Exchange "Key Points and Suggestions on Anti fraud Performance of Independent Non-executive Directors of Listed Companies"	Shi Lei, Zhang Xiangdong, Li Xiaohui, Wong Tin Chak, Ma Jun, Xiao Wei
5.	Specialised training on anti-money laundering	All Directors of the Board

(VII) Responsibility of the Directors for the Financial Statements

The directors are responsible for monitoring the preparation of annual financial statements to give a true and fair view of the Group's business status, operating results and cash flows in the corresponding accounting period. In preparing for the financial statements for the year ended 31 December 2024, the directors ensured that appropriate accounting policies were adopted and consistently applied, and they also made reasonable and prudent judgements and estimates. The directors acknowledged their responsibility for the preparation of financial statements.

(VIII) Secretary of the Board of Directors and Sacretary of the Company

During the reporting period, in accordance with the requirements of the Hong Kong Listing Rules, Mr. He Zhaobin, the Secretary of the Board of Directors and the Company Secretary of the Bank, has attended more than 15 hours of professional training.

V. BOARD OF SUPERVISORS AND SPECIAL COMMITTEES UNDER THE BOARD OF SUPERVISORS

(I) Composition of the Board of Supervisors and Performance of Duties

The Board of Supervisors is the Bank's supervisory body and is responsible for the Shareholders' General Meeting. The Board of Supervisors executes its authority within the scope of laws and regulations, regulatory provisions, as well as the terms of reference granted by *the Bank's Articles of Association* and the General Meeting of Shareholders. The duties of the Board of Supervisors include the supervision of the company's development strategy, business decisions, risk management, internal control and other areas.

As of the date of this report, there were 7 members on the Board of Supervisors, including 1 shareholder supervisors, 2 external supervisors and 4 employee supervisors. The members of the Board of Supervisors are well versed in the operation and management rules of the financial industry, and their experience covers large state-owned enterprises, financial universities and commercial banks, and they have profound theoretical background and rich experience in the fields of finance, auditing and accounting, which can provide sharp judgment and broad vision for the Board of Supervisors.

During the Reporting Period, the Board of Supervisors held meetings in compliance with the law and held 4 meetings of the Supervisory Board by way of on-site meetings on 27 March, 26 April, 28 August and 30 October, respectively, and considered and passed 20 motions, which mainly included the four periodic reports of the Bank, the profit distribution plan for 2023, the internal control evaluation report for 2023, the consolidated management report for 2023, the financial accounts report for 2023, the corporate social responsibility (ESG) report for 2023, the work report of the Board of Supervisors for 2023, the Board of Supervisors' opinion on the performance of the Board of Directors and its members for 2023, the Board of Supervisors' evaluation of the performance of the senior management and its members for 2023, the self-evaluation of the performance of the Board of Supervisors and its members for 2023, the remuneration package of the Board of Supervisors for 2023, the Interim Evaluation Report on the Implementation of the 14th Five Year Plan, the report on the implementation of the strategy in the First Half of 2024, the evaluation results of the audit assessment for 2023, and the Report on Consumer Protection for 2023. During the meetings, the Board of Supervisors reviewed reports on comprehensive risk management, inclusive finance, data governance, green finance, fixed asset investment, capital adequacy, internal audit, compliance risk, anti-money laundering, assessment and remuneration mechanism, and connected transactions, etc., and informed supervision opinions and the rectification of problems. During the meetings, the Board of Supervisors deliberated, reviewed and informed the content of comprehensive coverage of statutory matters to ensure the effective performance of supervisory duties.

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(II) Composition and Performance of Special Committees

The Board of Supervisors of the Bank has 3 special committees, namely, the Performance and Due Diligence Committee, the Nomination Committee and the Financial and Internal Control Supervision Committee, with the following composition:

Board of Supervisors/ Special Committees under the Board of Supervisors	Performance and Due Diligence Committee	Nomination Committee	Financial and Internal Control Supervision Committee
Wang Xueqing		Member	
Chen Hanwen	Member		Chairman
Su Zhi	Member		Member
Guan Xingshe	Convener		Member
Lin Zhihong			Member
Feng Bing		Member	
Po Ying		Convener	

The special committees under the Board of Supervisors held 10 meetings in 2024 and considered 42 motions and reports, giving full play to their supervisory support role. Among them, the Performance and Due Diligence Supervisory Committee is mainly responsible for carrying out daily supervision and comprehensive evaluation of the performance of the Bank's Board of Directors, senior management, Board of Supervisors and its members and reporting to the Board of Supervisors. The Nomination Committee is responsible for formulating the procedures and criteria for the selection and appointment of supervisors, conducting preliminary review of the qualifications of candidates for supervisors and making recommendations to the Board of Supervisors; supervising the selection and appointment procedures of directors and other important personnel; and supervising the scientific and reasonable nature of the Bank's performance appraisal system, remuneration management system and policies and remuneration packages for senior management. The Finance and Internal Control Supervisory Committee is mainly responsible for drawing up supervision plans for the Bank's financial activities, information disclosure, etc. and implementing relevant inspections, and its main responsibilities include financial supervision, capital supervision, internal control and compliance supervision, and risk supervision.

(III) Participation of Supervisors

All supervisors of the Bank performed their duties faithfully and diligently in strict accordance with *the Company Law*, *the Code of Corporate Governance for Banking and Insurance Institutions*, the Guidelines for the Work of the Supervisory Board of Commercial Banks and other laws, regulations and rules, as well as the provisions of *the Articles of Association of the Bank*, attended the shareholders' meeting, the meetings of the Board of Supervisors and its special committees, attended relevant meetings of the Board of Directors and senior management, carefully considered the proposals, reviewed and referred to relevant materials, listened to important reports and contributed constructive suggestions. They also attended the meetings of the Board of Directors and senior management, reviewed and referred to the relevant materials, listened to important reports and put forward constructive opinions and suggestions. During the Reporting Period, all supervisors of the Bank complied with the relevant regulatory requirements in terms of the length of their duties and the number of meetings attended.

Supervisors	Position	Attendance at meetings in person	Attendance in person percentage (%)
Current supervisor			
Wang Xueqing	Shareholder Supervisor	4/4	100
Chen Hanwen	External Supervisor	4/4	100
Su Zhi	External Supervisor	4/4	100
Guan Xingshe	Employee Supervisor	4/4	100
Lin Zhihong	Employee Supervisor	4/4	100
Feng Bing	Employee Supervisor	4/4	100
Po Ying	Employee Supervisor	4/4	100
Former supervisor			
Xu Jiming	Ex-Chairman of the Board of Supervisors and Ex-Shareholder Supervisor	4/4	100
Li Yao	Ex-External Supervisor	4/4	100
Average attendance in person percentage			100

(IV) Research and Training of Supervisors

The Board of Supervisors of the Bank actively organized supervisors to conduct special research and wrote high-quality research reports, as follows:

Research Projects	Departments and agencies involved
1. Supervisionry Research on Bank-wide Services in the Field of Technology and Finance	Relevant departments of head office, Beijing Branch, Shanghai Branch, Jiangsu Branch, Shenzhen Branch, and Related subsidiaries

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The Bank continued to enhance the capacity of supervisors to perform their duties and organized supervisors to attend a series of professional trainings by combining internal and external resources, the main trainings are as follows:

Training Programs	Participants
1. Special training related to listed company associations	Xu Jiming, Wang Xueqing, Chen Hanwen, Su Zhi, Lin Zhihong, Feng Bing, Po Ying
2. Special training related to anti-money laundering regulatory situation analysis and training on new regulations	Xu Jiming, Wang Xueqing, Li Yao, Chen Hanwen, Su Zhi, Guan Xingshe, Lin Zhihong, Feng Bing, Po Ying

VI. SENIOR MANAGEMENT

The Bank's senior management comprised President, Executive Vice President, Chief Business Officers, BoCom-HSBC Strategic Cooperation Consultant, and other management personnel as approved by the Board of Directors. The Bank adheres to a system under which President, as the ultimate responsible officer, reports to the Board of Directors, while all functional departments, branches, offices and other senior management report to President. President has the authority to conduct the Bank's business operations in compliance with the relevant laws and regulations, the Articles of Association and authorisation from the Board of Directors, with primary responsibilities including but not limited to day-to-day operating management of the Bank and report to the Board of Directors, implementation of the resolutions of the Shareholders' General Meetings and meetings of the Board of Directors, preparation of annual business plan and investment plan as well as the implementation of these plans after the approval of the meetings of the Board of Directors and Shareholders' General Meeting, preparation of annual financial budget plans, financial plans and profit distribution plans, drafting the proposal for setting up internal management department, basic management policies and specific regulations of the Bank.

During the Reporting Period, senior management of the Bank conducted business operations within the scope authorised by *the Articles of Association* and the Board of Directors, carefully implemented resolutions of the Shareholders' General Meeting and the Board of Directors and successfully achieved the annual business targets determined by the Board of Directors as required. The Board of Directors was satisfied with the financial performance of senior management for the year 2023.

VII. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Members of the Board of Directors

The Bank currently has 18 directors, 7 supervisors and 10 senior managers, whose names and biographies are as follows:

Name	Position	Gender	Age	Beginning and ending dates of term
Ren Deqi	Chairman of the Board of Directors and Executive Director	Male	61	August 2018 – date of 2024 Annual General Meeting
Zhang Baojiang	Vice Chairman of the Board of Directors, Executive Director and President	Male	54	August 2024 – date of 2024 Annual General Meeting (Director Term) June 2024 – (Senior Management Term)
Yin Jiuyong	Executive Director and Executive Vice President	Male	57	February 2024 – date of 2024 Annual General Meeting (Director Term) September 2019 – (Senior Management Term)
Zhou Wanfu	Executive Director and Executive Vice President	Male	59	February 2024 – date of 2024 Annual General Meeting (Director Term) July 2020 – (Senior Management Term)
Li Longcheng	Non-executive Director	Male	60	June 2020 – date of 2024 Annual General Meeting
Wang Linping	Non-executive Director	Male	60	January 2021 – the same as above
Chang Baosheng	Non-executive Director	Male	56	January 2021 – the same as above
Liao, Yi Chien David	Non-executive Director	Male	52	May 2021 – the same as above
Chan Siu Chung	Non-executive Director	Male	62	October 2019 – the same as above
Mu Guoxin	Non-executive Director	Male	58	August 2022 – the same as above
Chen Junkui	Non-executive Director	Male	50	August 2019 – the same as above
Luo Xiaopeng	Non-executive Director	Male	49	August 2022 – the same as above
Shi Lei	Independent Non-executive Director	Male	66	December 2019 – the same as above
Zhang Xiangdong	Independent Non-executive Director	Male	67	August 2020 – the same as above
Li Xiaohui	Independent Non-executive Director	Female	57	November 2020 – the same as above
Ma Jun	Independent Non-executive Director	Male	60	August 2022 – the same as above
Wong Tin Chak	Independent Non-executive Director	Male	60	October 2023 – the same as above
Xiao Wei	Independent Non-executive Director	Male	64	September 2024 – the same as above
Wang Xueqing	Shareholder Supervisor	Male	57	June 2017 – the same as above
Chen Hanwen	External Supervisor	Male	56	June 2019 – the same as above
Su Zhi	External Supervisor	Male	47	June 2022 – the same as above
Guan Xingshe	Employee Supervisor	Male	59	October 2018 – the same as above
Lin Zhihong	Employee Supervisor	Female	55	December 2020 – the same as above
Feng Bing	Employee Supervisor	Female	49	December 2020 – the same as above
Po Ying	Employee Supervisor	Female	52	November 2021 – the same as above

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Name	Position	Gender	Age	Beginning and ending dates of term
Qian Bin	Executive Vice President and Chief Officer of Information	Male	52	July 2021 –
Gu Bin	Executive Vice President	Male	53	November 2024 –
He Zhaobin	Secretary of the Board of Directors	Male	55	June 2023 –
Tu Hong	Chief Business Officer (Interbank and Market Business)	Male	59	September 2018 –
Lin Hua	Business Officer (Retail and Private Business)	Male	56	June 2023 –
Liu Jianjun	Chief Risk Officer	Male	57	June 2023 –
Cho Kwok Hung	BoCom-HSBC Strategic Cooperation Consultant	Male	58	April 2023 –

Notes:
1. Term of office of directors begins from the date of appointment qualification approved by the regulatory authority.
2. The term of office of Supervisors starts from the date of their election by the general meeting of shareholders and the employees' representative meeting.

Mr. Ren Deqi Chairman of the Board of Directors and Executive Director

Main duties

Chairman of the Board of Directors of the Bank since January 2020.
Executive Director of the Bank since August 2018.

Educational background and professional qualification

Obtained Master's degree in Engineering from Tsinghua University in 1988.
Senior Economist

Experience

Mr. Ren served as Vice Chairman of the Board of Directors, Executive Director and President of the Bank. Mr. Ren served as Executive Director and Executive Vice President of Bank of China. During the period, he also served as Non-executive Director of Bank of China Hong Kong (Holdings) Limited and Chief Executive Officer of Shanghai Renminbi Trading Business Headquarter of Bank of China. Mr. Ren served as several positions in China Construction Bank, including General Manager of the Risk Management Department, President of the Hubei Branch, General Manager of the Credit Management Department, General Manager of the Risk Monitoring Department and Deputy General Manager of the Credit Approval Department.

Mr. Zhang Baojiang Vice Chairman of the Board of Directors, Executive Director and President

Main duties

Vice Chairman of the Board of Directors and Executive Director of the Bank since August 2024.
President of the Bank since June 2024.

Educational background and professional qualification

Obtained Bachelor's degree in Science from the Beijing Normal University in 1993.
Obtained Master's degree in Economics from the Graduate School of the Party School of the Central Committee of Communist Party of China in 1998.
Obtained Doctoral degree in Economics from the Graduate School of the Party School of the Central Committee of Communist Party of China in 2004.
Senior Economist

Experience

Mr. Zhang had worked for Agricultural Development Bank of China, serving as the Vice President of such bank, President of the Anhui Branch, Director of the General Office of the Head Office, Vice President of the Shaanxi Branch, Deputy General Manager (In Charge of Work) of the Policy Research Office, Deputy Director of the General Office and Deputy General Manager of the Research Office of the Head Office, etc.

Mr. Yin Jiuyong **Executive Director and Executive Vice President**

Main duties

Executive Directors of the Bank since February 2024.
Executive Vice President of the Bank since September 2019.

Educational background and professional qualification

Obtained Doctoral degree in Agriculture from China Agricultural University in 1993.
Senior Economist

Experience

Mr. Yin Served as Vice President of Agricultural Development Bank of China, Director of the Office, President of Henan Branch, General Manager and Deputy General Manager of the Customer Department (during the period of posting as Deputy Manager of the Business Department of Baoding Branch and Deputy President of Baoding Branch), Deputy Director of the Credit Department and other positions.

Mr. Zhou Wanfu **Executive Director and Executive Vice President**

Main duties

Excective Director of the Bank since February 2024.
Executive Vice President of the Bank since July 2020.

Educational background and professional qualification

Obtained MBA degree from Nanyang Technological University in Singapore in 2003.
Obtained Master's degree in Economics from the Graduate School of the People's Bank of China in1988.

Experience

Mr. Zhou was the Secretary of the Board of Directors of the Agricultural Bank of China, General Manager of the Strategic Planning Division of the Head Office, Director of the Tianjin Training Institute, Executive Vice President of the Chongqing Branch, General Manager of the Asset and Liability Management Department of the Head Office, Deputy General Manager of the Budget and Finance Department, Deputy General Manager of the Asset and Liability Management Department, Executive Vice President of the Ningbo Branch as well as other positions.

Mr. Li Longcheng **Non-executive Director**

Main duties

Non-executive Director of the Bank since June 2020.

Educational background and professional qualification

Obtained Doctoral degree in Management from Northeast Forestry University in 2003.

Experience

Mr. Li served as Director of the Heilongjiang Supervision Bureau of Ministry of Finance, Chief Inspector of the Heilongjiang Supervision & Inspection Office of Ministry of Finance, Chief Inspector of the Liaoning Supervision & Inspection Office of Ministry of Finance, Deputy Inspector of the Heilongjiang Supervision & Inspection Office of Ministry of Finance, and Deputy Inspector of the Zhejiang Supervision & Inspection Office of Ministry of Finance. Mr. Li served as Assistant Commissioner of the Office of the Commissioner of the Ministry of Finance in Heilongjiang and other positions.

Mr. Wang Linping **Non-executive Director**

Main duties

Non-executive Director of the Bank since January 2021.

Educational background and professional qualification

Obtained Bachelor's degree in Philosophy from Zhongnan University of Economics and Law in 1986.

Experience

Mr. Wang served as Level-one Inspector of the Retired Cadres Bureau of Ministry of Finance, Chairman of China Finance and Economic Media Group. Mr. Wang served as Minister and Vice Minister of the Department of Administrative Finance of the Liaison Office of the Central People's Government in Macao Special Administrative Region.

CORPORATE GOVERNANCE

Mr. Chang Baosheng **Non-executive Director**

Main duties

Non-executive Director of the Bank since January 2021.

Educational background and professional qualification

Graduated from Zhongnan University of Economics and Law in 1989.

Experience

Mr. Chang served as Level-two Inspector and Deputy Inspector of the Ningxia Supervision Bureau of Ministry of Finance. Mr. Chang served as Deputy Inspector and Assistant Commissioner of Ningxia Supervision and Inspection Office of Ministry of Finance.

Mr. Liao, Yi Chien David **Non-executive Director**

Main duties

Non-executive Director of the Bank since May 2021.

Co-chief Executive Officer of HSBC, a substantial shareholder of the Bank, Executive Director of the HSBC Group and Member of the Group Executive Committee.

Educational background and professional qualification

Obtained honorary bachelor's degree from University of London in 1995.

Other duties

Chairman of HSBC Bank (China) Company Limited, Non-Executive Director of Hang Seng Bank Limited.

Experience

Mr. Liao served as the general manager of HSBC Holdings plc and the Head HSBC Asia Pacific Global Banking, President and Chief Executive Officer of HSBC China, Director of Global Banking and Capital Market of HSBC China, Director of Global Capital Market of HSBC China, and Treasurer of HSBC China. Mr. Liao took positions in the Industrial Bank of Japan (currently Mizuho International Plc).

Mr. Chan Siu Chung **Non-executive Director**

Main duties

Non-executive Director of the Bank since October 2019.

Adviser to the Co-chief Executive Officer of HSBC, a substantial shareholder of the Bank.

Educational background and professional qualification

Obtained Master's degree in Applied Finance from Macquarie University, Australia in 1994.

Experience

Mr. Chan served as the business director of Greater China Region and the Co-Head of Asia-Pacific of Capital Markets at HSBC, Deputy Head of the Global Capital Markets of Asia Pacific and Head of Trading in Hong Kong, Head of Trading in Hong Kong, Head of Hong Kong Interest Rate Derivatives Trading, etc.

Mr. Mu Guoxin **Non-executive Director**

Main duties

Non-executive Director of the Bank since August 2022.

Working Director of the National Council for Social Security Fund, a substantial shareholder of the Bank.

Educational background and professional qualification

Obtained MPA degree under the cooperative cultivation programme between Peking University and the National Academy of Governance in 2008.

Senior Accountant

Other duties

Non-executive Director of China CITIC Limited, Non-independent Director of COFCO Fulinmen Co.

Experience

Mr. Mu served as Director and Deputy Director of the Fund Finance Department of the Social Security Foundation, and Director of Jianxin Life Insurance Co.

Mr. Chen Junkui Non-executive Director

Main duties

Non-executive Director of the Bank since August 2019.

Deputy General Manager for China Tobacco Jiangsu Industrial Co., Ltd.

Educational background and professional qualification

Obtained Master's degree in Management from Capital University of Economics and Business in 2002.

Senior Accountant

Other duties

Supervisor of China Tobacco Machinery Group Co., Ltd., China Tobacco International Inc. and *China Tobacco* Magazine House Co., Ltd. Director of Nantong Cellulose Fibers Co., Ltd., Zhuhai Cellulose Fibers Co., Ltd. and Kunming Cellulose Fibers Co., Ltd.

Experience

Mr. Chen served as Deputy Director-General of the Financial Management and Supervision (Internal Audit) Department of the State Tobacco Monopoly Administration and Director and Deputy Director of the Finance and Asset Department of China Tobacco Machinery Group Co., Ltd.

Mr. Luo Xiaopeng Non-executive Director

Main duties

Non-executive Director of the Bank since August 2022.

President of the Capital Operation Department of the Capital Airport Group Co., Ltd., the main shareholder of the Bank.

Educational background and professional qualification

Obtained Master's degree in Finance from Jiangxi University of Finance and Economics in 2003.

Certified Public Accountant

Other duties

Mr. Luo serves as the director of Tianjin Binhai International Airport Co., Ltd, Jilin Civil Aviation Airport Group Co., Ltd and Jiangxi Airport Group Co., Ltd.

Experience

Mr. Luo served as the Chief Financial Officer of Inner Mongolia Civil Aviation Airport Group Co., Ltd, the Secretary of the Board of Directors and general manager of the finance department of Beijing Capital International Airport Co., Ltd.

Mr. Shi Lei Independent Non-executive Director

Main duties

Independent Non-executive Director of the Bank since December 2019.

Professor and Doctoral Supervisor of the School of Economics of Fudan University, and Director of the Public Economic Research Centre of Fudan University.

Educational background and professional qualification

Obtained Doctoral degree from the Institute of Economics at Shanghai Academy of Social Sciences in 1993.

Enjoyed special government allowances of the State Council.

Other Duties

Independent Non-executive Director of Hangzhou Meideng Technology Co., Ltd. and Shanghai Universal Biotech Co., Ltd.

Experience

Mr. Shi served as Director of the China Centre for Economic Studies of Fudan University, and Independent Non-executive Director of Ko Yo Chemical (Group) Limited and Sanxiang Impression Co., Ltd.

CORPORATE GOVERNANCE

Mr. Zhang Xiangdong **Independent Non-executive Director**

Main duties

Independent Non-executive Director of the Bank since August 2020.

Educational background and professional qualification

Obtained Master's degree in Law from Renmin University of China in 1990.

Senior Economist

Experience

Mr. Zhang served as Non-executive Director of Bank of China Limited, Non-executive Director and Chairman of the Risk Management Committee of the Board of Directors of China Construction Bank Corporation (during which period Mr. Zhang concurrently served as member of the China International Economic and Trade Arbitration Commission). Mr. Zhang also served as Inspector and Deputy Director General of the General Affairs Department of the State Administration of Foreign Exchange. Mr. Zhang served as Executive Vice President of Haikou Branch of the People's Bank of China and Deputy Director General of Hainan Branch of the State Administration of Foreign Exchange concurrently.

Ms. Li Xiaohui **Independent Non-executive Director**

Main duties

Independent Non-executive Director of the Bank since November 2020.

Professor and Doctoral Supervisor at the School of Accounting, Central University of Finance and Economics.

Educational background and professional qualification

Obtained Doctoral degree in Economics from Central University of Finance and Economics in 2001.

Certified Public Accountant

Other duties

Independent Non-executive Director of Fangda Special Steel Technology Co., Ltd. and Poly Culture Group Co., Ltd.. External Supervisor of Bank of Beijing Co., Ltd.

Member of the Professional Technical Advisory Committee of the Chinese Institute of Certified Public Accountants, member of the Audit Committee of the Accounting Society of China and member of the Audit Standards Committee of the China Institute of Internal Audit.

Experience

Ms. Li worked in the Professional Standards Department of the Chinese Institute of Certified Public Accountants, Cangzhou Accounting Firm, Cangshi Accounting Firm and the State-owned Assets Administration under Hebei Province Department of Finance. Ms. Li previously served as Independent Director of State Grid Information and Communication Co., Ltd., BBMG Corporation, Fangda Carbon New Material Co., Ltd., Bank of Beijing Co., Ltd., Camel Group Co., Ltd., Jizhong Energy Resources Co., Ltd., Kailuan Energy Chemical Co., Ltd. and China U-Ton Holdings Limited.

Mr. Ma Jun **Independent Non-executive Director**

Main duties

Independent Non-executive Director of the Bank since August 2022.

President of the Institute of Finance and Sustainability.

Educational background and professional qualification

Obtained Ph.D. in Economics from Georgetown University in 1994.

Other duties

Independent Director of China Taiping Life Insurance (Hong Kong), Independent Director of Postal Savings Bank of China Ubank, Director of the Green Finance Committee of China Society for Finance, Co-Chairman of the Steering Committee of the "Belt and Road" Green Investment Principles, Chairman of the Hong Kong Green Finance Association and Chairman of the Capacity Building Alliance of Sustainable Investment.

Experience

Mr. Ma served as a member of the Monetary Policy Committee of the People's Bank of China, Co-Chairman of the G20 Sustainable Finance Working Group, Director of the Center for Finance and Development under Tsinghua National Institute of Financial Research, Chief Economist of the Research Bureau of the People's Bank of China, Chief Economist, Investment Strategist and Managing Director of Deutsche Bank Greater China, Senior Economist at the World Bank, Economist at the International Monetary Fund, and also worked at the Development Research Center of the State Council.

Mr. Wong Tin Chak Independent Non-executive Director

Main duties

Independent Non-executive Director of the Bank since October 2023.

Educational background and professional qualification

Obtained Bachelor of Social Science degree from the University of Hong Kong in 1988.

Member of the Institute of Chartered Accountants in England and Wales

Other duties

Chief Partner of Shanghai De Koon Tian Yu Management Consulting Partnership (Limited Partnership), Member of the Digital Economy Strategy Committee of the China Society for Development Strategy Research

Experience

Mr. Wong Tin Chak served as the Chief Commercial Officer, Partner-in-Charge of Risk Advisory and Member of Management Committee of Deloitte China, Member of Risk Advisory Management Committee of Deloitte Asia Pacific, Deputy Head Partner of Audit and Assurance and Partner of Deloitte Touche Tohmatsu Certified Public Accountants LLP, and Partner of Deloitte Touche Tohmatsu.

Mr. Xiao Wei Independent Non-executive Director

Main duties

Independent Non-executive Director of the Bank since September 2024.

Educational background and professional qualification

Obtained a doctoral degree in Economics from Renmin University of China in 1994.

Senior Accountant

Experience

Mr. Xiao served as Chief Audit Officer of Bank of China Limited, General Manager of the Financial Management Department of the Head Office, Deputy General Manager of the Beijing Branch, Chief Financial Officer of the Beijing Branch, Assistant General Manager and Deputy General Manager of the Asset and Liability Management Department of the Head Office. Mr. Xiao served as the Vice President of China Institute of Internal Audit, the Executive Director of Accounting Society of China, and the Deputy Secretary General of Banking Accounting Society of China.

Mr. Wang Xueqing Shareholder Supervisor

Main duties

Shareholder Supervisor of the Bank since June 2017.

Executive Deputy General Manager of Daqing Oilfield Co., Ltd. (Daqing Petroleum Administration Bureau), a substantial shareholder of the Bank.

Educational background and professional qualification

Obtained Master's degree in Accounting from Tianjin University of Finance and Economics in 2002.

Professoriate Senior Accountant

Other duties

Chairman of the Board of Directors of Daqing Petroleum (Hong Kong) Co. Ltd. Chairman of the Board of Directors of Daqing Energy (Hong Kong) Co. Ltd. Director of DPS Indonesia Co. Ltd. Director of China Petroleum Halfaya Co., Ltd. Executive Vice President of the Sixth Council of China Association of Plant Engineering.

Experience

Mr. Wang served as Chief Accountant of Daqing Oilfield Co., Ltd. (Daqing Petroleum Administration Bureau), Director of the Finance Department, Director of Financial Assets of the First Department, Director and First Deputy Director of the Accounting Department (Centre) of the Financial Assets Department in Daqing Oilfield Company. Mr. Wang concurrently served as Chairman of the Board of Supervisors of PT INDOSPEC ENERGY, Director of Qingdao Qingxin Plastic Co., Ltd. and Chairman of the Board of Supervisors of Daqing Oilfield Powerlift Pump Industry Co., Ltd.

CORPORATE GOVERNANCE

Mr. Chen Hanwen External Supervisor

Main duties

External Supervisor of the Bank since June 2019.

Professor of Nanjing Audit University.

Educational background and professional qualification

Obtained Doctoral degree in Economics from Xiamen University in 1997.

Other duties

Professor, Doctoral Supervisor and contact of the Postdoctoral Research Station of University of International Business and Economics. Chair Professor of China Business Executives Academy, Dalian. Co-editor in Chief of China Journal of Accounting Studies (publication of the Accounting Society of China). Member of Editorial Board of Auditing Research (publication of the China Audit Society). Member of the Senior Professional Rank Evaluation Committee of the National Audit Office. Member of the Professional Ethics Committee of the Chinese Institute of Certified Public Accountants. Executive Council Member of the China Audit Society. Independent Non-executive Director of China Shenhua Energy Company Limited, Suzhou Bank Co., Ltd., Shenwan Hongyuan Group Co., Ltd.

Experience

Mr. Chen held various positions in Xiamen University, including Executive Vice President of the School of Management, Executive Vice President of the Graduate School, Director of the Accounting Department and Secretary-General of the Academic Committee. Mr. Chen served as Member of the Specialised Guidance Committee of the Chinese Institute of Certified Public Accountant. Mr. Chen was Independent Director of Beijing Tri-Prime Gene Pharmaceutical Co., Ltd., Xiamen Bank Co., Ltd., Xiamen International Bank, Dalian Wanda Commercial Management Group Co., Ltd. and Shanghai Fuiou Payment service limited company.

Mr. Su Zhi External Supervisor

Main duties

External Supervisor of the Bank since June 2022.

Special Appointed Professor of "Longma Scholars", the Double Appointed Professor and the Tutor for Doctoral Students of the School of Statistics and Mathematics and the School of Finance, as well as the first Chief Dean of the Department of Financial Technology at Central University of Finance and Economics.

Educational background and professional qualification

Obtained Doctoral degree in Quantitative Economics from Jinlin University in 2006.

Other duties

Executive Director of Central University of Finance and Economics & University of Electronic Science and Technology of China Joint Research Data Center, Deputy Director of the Academic Committee of Institute of International Technology Development of Research Center of the State Council of China, Professional Consultant in Financial Technology of Beijing Xicheng District Government, the Special Appointed Expert of "Sci-Tech Finance Expert Think Tank" of Beijing Haidian District Financial Services Office, the Special Researcher of the International Monetary Institute of Renmin University of China, the Special Appointed Professor of the Business Model Innovation Center of Tsinghua University School of Economics and Management, the Senior External Expert of Centralized Procurement Management Committee of Industrial and Commercial Bank of China, the Guiding Expert of Postdoctoral Fellow of Shenzhen Stock Exchange, the Co-Tutor of Postdoctoral Fellow of JD Finance, as well as the Independent Directors of Jilin Jlu Communication Design Institute Co., Ltd., Shanghai Haohai Biological Technology Co., Ltd., and Minmetals International Trust Co., Ltd.

Experience

Mr. Su served as the Supervisor of Bank of Guizhou Co., Ltd, and the Independent Directors of Changzhou Gangjin Steel Co., Ltd.

Mr. Guan Xingshe Employee Supervisor

Main duties

Employee Supervisor of the Bank since October 2018.

Director of the Office of the Board of Supervisors of the Bank.

Educational background and professional qualification

Obtained Master's degree in Economics from Xiamen University in 1999.

Senior Auditor

Experience

Mr. Guan served as the General Manager of the General Affairs Department of the Bank, during the period he concurrently served as Executive Director and Chief Executive Officer of Shanghai Jiaoyin Service Corp., Executive Vice President of the Henan Branch (Zhengzhou) and Senior Credit Executive, serving the Bank for 30 years.

Ms. Lin Zhihong Employee Supervisor

Main duties

Employee Supervisor of the Bank since December 2020.
Director of the Audit and Supervision Bureau of the Bank.
Supervisor of BOCOM Financial Asset Investment Co., Ltd.

Educational background and professional qualification

Obtained EMBA degree from Shanghai University of Finance and Economics in 2010.
Intermediate Accountant

Experience

Ms. Lin served as Non-executive Director of BOCOM International Holdings Co., General Manager of the Financial Service Centre (Business Operation Department) of the Head Office, General Manager of the Budget and Finance Department (Data and Information Management Centre), and General Manager and Deputy General Manager of the Budget and Finance Department, serving the Bank for 34 years.

Ms. Feng Bing Employee Supervisor

Main duties

Employee Supervisor of the Bank since December 2020.
Deputy General Manager of Singapore Branch of the Bank, Integrity Commissioner and Senior expert

Educational background and professional qualification

Obtained Master's degree in National Economics from University of Shanghai for Science and Technology in 2000.
Senior Economist

Other duties

Executive Director of the Seventh National Council of China Financial Sports Association. Member of the Presidium of the Second National Committee of China Financial Literature and Art Festival Federation.

Experience

Ms. Feng served as the Director of the Office of Labour Union, Executive Vice President of Labour Union, Secretary of Youth League Committee, President of Labour Union of the Head Office, Deputy Director of Organisation Department, and the Deputy Senior Manager of Performance Management of the Human Resource Department of the Bank's Head Office, serving the Bank for 24 years.

Ms. Po Ying Employee Supervisor

Main duties

Employee Supervisor of the Bank since November 2021.
Director of Sub-bureau of Internal Audit and Supervision Shanghai, Bank of communications and Chairman of the Board of Supervisors of Bank of Communications International Trust Co., Ltd..

Educational background and professional qualification

Obtained Master's degree in Economics from Southwestern University of Finance and Economics in 1996.
Senior Accountant

Experience

Ms. Po was the General Manager of the Equity and Investment Management Department and the General Manager of the Strategic Investment Department of the Bank's Head Office, the non-executive director of BOCOM International Holdings Limited, a non-executive director of BOCOM Financial Leasing Limited, a non-executive director of Banco BoCom BBM S.A., the Deputy General Manager of the Budget and Finance Department (Data and Information Management Centre) of the Bank's Head Office, and the Vice President of Suzhou Branch, and has served the Bank for 28 years.

CORPORATE GOVERNANCE

Mr. Qian Bin Executive Vice President and Chief Information Officer

Main duties

Executive Vice President of the Bank since July 2021.
Chief of Information Officer of the Bank since October 2022.

Educational background and professional qualification

Obtained MBA degree of the cooperative cultivation programme between Fudan University and the University of Hong Kong in 2004.
Senior Engineer

Experience

Mr. Qian served as General Manager and Principal Officer of the Network Finance Department, General Manager of the Data Centre (Shanghai), Deputy General Manager of the Private Banking Department, Deputy General Manager of the Information Technology Department, and General Manager of the Information Technology Department and Director of the Technology Assurance Centre of the Shanghai Branch of the Industrial and Commercial Bank of China.

Mr. Gu Bin Executive Vice President

Main duties

Vice President of the Board of Directors of the Bank since November 2024.

Educational background and professional qualification

Obtained Master's degree in Engineering from Tsinghua University in 1997.

Experience

Mr. Gu served as Director of the Internal Audit Bureau, General Manager of the Human Resources department, President of Xiamen Branch, Deputy General Manager of Credit Approval department, Vice President of Guizhou Branch, Vice President of Xiamen branch, and Deputy General Manager of Credit Management department and other positions of the Industrial and Commercial Bank of China.

Mr. He Zhaobin Secretary of the Board of Directors

Main duties

Secretary of the Board of the Director of the Bank since June 2023.
Non-executive Director of the Bank from August 2017 to January 2021.

Educational background and professional qualification

Obtained Master's degree in public administration from Peking University and the National School of Administration, 2007.
Certified Public Accountant, Senior Economist

Experience

Mr. He served as Deputy Director of the National Office for Comprehensive Agricultural Development, Deputy Director of the Office of the State Council Working Group on Comprehensive Rural Reform, and Deputy Director of the Supervision and Inspection Bureau of the Ministry of Finance.

Mr. Tu Hong Chief Business Officer (Interbank and Market Business)

Main duties

Chief Business Officer (Interbank and Market Business) since September 2018.
President of the Shanghai Branch since April 2022.

Educational background and professional qualification

Obtained Master's degree in Economics from Fudan University in 1998.

Experience

Mr. Tu served as Chairman of the Board of BOCOM Wealth Management Co., Ltd., Directors of the General Manager of the Financial Institution Department of the Bank's Head Office, during which period he concurrently served as Chief Executive Officer of the Asset Management Business Centre, Chief Executive Officer of the Financial Market Business Centre, Chief Executive Officer of the Financial Market Business Centre/Precious Metal Business Centre, General Manager of the Global Markets Department (Precious Metals Center), General Manager of the New York Branch, Deputy General Manager of the International Banking Department of the Bank's Head Office, Executive Vice President of the Guangzhou Branch, serving the Bank for 35 years.

Mr. Lin Hua **Chief Business Officer (Retail and Private Business)**

Main duties

Chief Business Officer (Retail and Private Business) since June 2023

Educational background and professional qualification

Obtained MBA degree from Shanghai University of Finance and Economics in 2004.

Senior Economist

Experience

Mr. Lin was the Chief Risk Officer, General Manager of the Risk Management Department and Director of the Internal Control and Case Prevention Office of the Bank, President of the Jiangsu Branch, President and Executive Vice President of the Jiangxi Branch (performing the duties of the President on behalf of the President), Executive Vice President of the Shanghai Branch, Senior Credit Executive Officer, etc. Mr. Lin has been serving the Bank for 36 years.

Mr. Liu Jianjun **Chief Risk Officer**

Main duties

Chief Risk Officer since June 2023.

General Manager of the Risk Management Department of the Bank since June 2023.

Educational background and professional qualification

Obtained Master's degree in Business Administration from Beijing Institute of Technology in 2003.

Intermediate Economist

Experience

Mr. Liu was the Chief Expert of the Bank, Director of the Internal Control and Case Prevention Office, President of the Beijing Branch, President of the Beijing Management Department (Group Client Department), Executive Vice President of the Beijing Management Department (Group Client Department), President, Executive Vice President and Senior Credit Executive Officer of the Jilin Branch, Executive Vice President and Senior Credit Executive Officer of the Changchun Branch, Executive Vice President and Senior Credit Executive Officer of the Beijing Branch, etc. Mr. Liu has been serving the Bank for 36 years.

Mr Cho Kwok Hung **BoCom-HSBC Strategic Cooperation Consultant**

Main duties

BoCom-HSBC Strategic Cooperation Consultant since April 2023.

Educational background and professional qualification

Obtained MBA degree from the City University of Hong Kong in 1996.

Experience

Mr Cho was the Chief Risk Control Officer of Hang Seng Bank (China) Ltd., risk management consultant assigned by HSBC to the Bank (as an expatriate employee of HSBC), President of HSBC Shanghai Branch, Director of Credit Risk Training of HSBC (China), Director of Commercial Banking School of HSBC Asia Pacific, Director of Corporate Banking Training Department of HSBC Asia Pacific.

(II) Changes in Directors, Supervisors and Senior Management

1. *Newly elected/appointed directors, supervisors and senior management*

Name	Position	Change
Zhang Baojiang	Vice Chairman of the Board of Directors, Executive Director and President	Elected, Appointed
Yin Jiuyong	Executive Director	Elected
Zhou Wanfu	Executive Director	Elected
Xiao Wei	Independent Non-executive Director	Elected
Gu Bin	Executive Vice President	Appointed

Each of Mr. Yin Jiuyong and Mr. Zhou Wanfu confirms that he has obtained the legal opinion referred to in Rule 3.09D of the Hong Kong Listing Rules on 8 February 2024 and is aware of his responsibilities as a director of the Bank. Each of Mr. Zhang Baojiang and Mr. Xiao Wei confirms that he has obtained the legal opinion referred to in Rule 3.09D of the Hong Kong Listing Rules on 28 June 2024 and is aware of his responsibilities as a director of the Bank.

CORPORATE GOVERNANCE

2. Resigned/Retired directors, supervisors and senior management

Name	Ex-position	Change	Beginning and ending dates of term
Liu Jun	Ex-Vice Chairman of the Board of Directors, Ex-Executive Director and Ex-President	Work arrangement	Director: August 2020-May 2024 Senior management: July 2020-May 2024
Cai Haoyi	Ex-Independent Non-executive Director	Retired (Expiration of term)	August 2018-September 2024
Xu Jiming	Ex-Chairman of the Board of Supervisors and Ex-Shareholder Supervisor	Position adjustment	October 2021-January 2025
Li Yao	Ex-External Supervisor	Retired (Expiration of term)	October 2017-October 2024
Huang Hongyuan	Ex-Executive Vice President	Retired (Retirement)	December 2022-November 2024
Hao Cheng	Ex-Executive Vice President	Work arrangement	March 2021-July 2024
Wang Wenjin	Ex-Chief Business Officer (Corporate & Institutional Business)	Work arrangement	June 2023-December 2024

The current directors, supervisors and senior managers of the Bank and those who left during the Reporting Period have not been punished by the securities regulatory authority in the past three years.

(III) Changes in Information of Directors, Supervisors and Senior Management

Mr. Chen Junkui, Non-executive Director, serves as the deputy general manager of China Tobacco Jiangsu Industrial Co., Ltd. and no longer served as the deputy director of the Financial Management and Supervision (Audit Department) Department of the State Tobacco Monopoly Administration. Mr. Ma Jun, Independent Non-executive Director, serves as the Chairman of the Capacity Building Alliance of Sustainable Investment and no longer served as the chairman of Beijing Green Finance Association.

Mr. Chen Hanwen, External Supervisor, serves as the independent director of Suzhou Bank Co., Ltd., a member of the Professional Ethics Committee of the Chinese Institute of Certified Public Accountants, and no longer served as the independent director of Beijing Tri-Prime Gene Pharmaceutical Co., Ltd., a member of the Professional Steering Committee of the Chinese Institute of Certified Public Accountants. Mr. Su Zhi, External Supervisor, serves as the independent director of Jilin Jlu Communication Design Institute Co., Ltd., and no longer served as the supervisor of Bank of Guizhou Co., Ltd. and the independent director of Changzhou Gangjin Steel Co., Ltd.

(IV) Emoluments and Shareholdings of Directors, Supervisors and Senior Management

1. *Details of emoluments and shareholdings*

Name	Position	Total taxable emoluments received during the Reporting Period In 10 thousand of RMB			Emoluments received from related parties or not	Class of shares	Number of shares held at the beginning of the Reporting Period (share)	Increase (or decrease) in shareholdings during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Reason for changes
		Emoluments	Social insurance, enterprise annuity, supplementary medical insurance and housing provident fund deposited by the Bank	Total						
Ren Deqi	Chairman of the Board of Directors and Executive Director	67.26	27.20	94.46	No	A share	0	0	0	–
						H share	400,000	100,000	500,000	Purchased from secondary market
Zhang Baojiang	Vice Chairman of the Board of Directors, Executive Director and President	39.23	15.86	55.10	No	A share	0	0	0	–
						H share	0	0	0	–
Yin Jiuyong	Executive Director and Executive Vice President	60.53	26.63	87.16	No	A Share	0	0	0	–
						H Share	0	0	0	–
Zhou Wanfu	Executive Director and Executive Vice President	60.53	26.50	87.03	No	A Share	0	0	0	–
						H Share	0	0	0	–
Li Longcheng	Non-executive Director	–	–	–	No	A Share	0	0	0	–
						H Share	0	0	0	–
Wang linping	Non-executive Director	–	–	–	No	A Share	0	0	0	–
						H Share	0	0	0	–
Chang Baosheng	Non-executive Director	–	–	–	No	A Share	0	0	0	–
						H Share	0	0	0	–
Liao, Yi Chien David	Non-executive Director	–	–	–	Yes	A Share	0	0	0	–
						H Share	0	0	0	–
Chan Siu Chung	Non-executive Director	–	–	–	Yes	A Share	0	0	0	–
						H Share	49,357	0	49,357	–
Mu Guoxin	Non-executive Director	–	–	–	Yes	A Share	0	0	0	–
						H Share	0	0	0	–
Chen Junkui	Non-executive Director	–	–	–	Yes	A Share	0	0	0	–
						H Share	0	0	0	–

CORPORATE GOVERNANCE

Name	Position	Total taxable emoluments received during the Reporting Period In 10 thousand of RMB: Emoluments	Social insurance, enterprise annuity, supplementary medical insurance and housing provident fund deposited by the Bank	Total	Emoluments received from related parties or not	Class of shares	Number of shares held at the beginning of the Reporting Period (share)	Increase (or decrease) in shareholdings during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Reason for changes
Luo Xiaopeng	Non-executive Director	–	–	–	Yes	A Share	0	0	0	–
						H Share	0	0	0	–
Shi Lei	Independent Non-executive Director	31	–	31	No	A Share	0	0	0	–
						H Share	0	0	0	–
Zhang Xiangdong	Independent Non-executive Director	–	–	–	No	A Share	0	0	0	–
						H Share	0	0	0	–
Li Xiaohui	Independent Non-executive Director	33	–	33	No	A Share	0	0	0	–
						H Share	0	0	0	–
Ma Jun	Independent Non-executive Director	31	–	31	No	A Share	0	0	0	–
						H Share	0	0	0	–
Wong Tin Chak	Independent Non-executive Director	31	–	31	No	A Share	0	0	0	–
						H Share	0	0	0	–
Xiao Wei	Independent Non-executive Director	–	–	–	No	A Share	0	0	0	–
						H Share	0	0	0	–
Wang Xueqing	Shareholder Supervisor	–	–	–	Yes	A Share	0	0	0	–
						H Share	0	0	0	–
Chen Hanwen	External Supervisor	28	–	28	No	A Share	0	0	0	–
						H Share	0	0	0	–
Su Zhi	External Supervisor	26	–	26	No	A Share	0	0	0	–
						H Share	0	0	0	–
Guan Xingshe	Employee Supervisor	83.04	25.13	108.17	No	A Share	100,000	60,000	160,000	Purchased from secondary market
						H Share	0	0	0	–
Lin Zhihong	Employee Supervisor	83.04	25.13	108.17	No	A Share	100,000	60,000	160,000	Purchased from secondary market
						H Share	0	0	0	–

Name	Position	Total taxable emoluments received during the Reporting Period In 10 thousand of RMB: Emoluments	Social insurance, enterprise annuity, supplementary medical insurance and housing provident fund deposited by the Bank	Total	Emoluments received from related parties or not	Class of shares	Number of shares held at the beginning of the Reporting Period (share)	Increase (or decrease) in shareholdings during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Reason for changes
Feng Bing	Employee Supervisor	80.55	25.13	105.68	No	A Share	0	0	0	–
						H Share	0	0	0	–
Po Ying	Employee Supervisor	82.44	26.50	108.94	No	A Share	135,044	60,000	195,044	Purchased from secondary market
						H Share	0	0	0	–
Qian Bin	Executive Vice President and Chief Information Officer	60.53	27.38	87.91	No	A Share	0	0	0	–
						H Share	0	0	0	–
Gu Bin	Executive Vice President	20.18	9.12	29.30	No	A Share	0	0	0	–
						H Share	0	0	0	–
He Zhaobin	Secretary of the Board of Directors	111.00	26.73	137.73	No	A Share	96,700	0	96,700	–
						H Share	0	0	0	–
Tu Hong	Chief Business Officer (Interbank and Market Business)	111.00	26.73	137.73	No	A Share	70,000	0	70,000	–
						H Share	50,000	0	50,000	–
Lin Hua	Chief Business Officer (Retail and Private Business)	111.00	26.50	137.50	No	A Share	202,100	0	202,100	–
						H Share	0	0	0	–
Liu Jianjun	Chief Risk Officer	111.00	26.78	137.78	No	A Share	220,000	0	220,000	–
						H Share	0	0	0	–
Cho Kwok Hung	BoCom-HSBC Strategic Cooperation Consultant	–	–	–	Yes	A Share	0	0	0	–
						H Share	0	0	0	–
Resigned/Retired Directors, Supervisors and Senior Management										
Liu Jun	Ex-Vice Chairman of the Board of Directors, Ex-Executive Director and Ex-President	22.42	8.71	31.13	No	A share	0	0	0	–
						H share	0	0	0	–
Cai Haoyi	Ex-Independent Non-executive Director	–	–	–	No	A Share	0	0	0	–
						H Share	0	0	0	–

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Name	Position	Total taxable emoluments received during the Reporting Period In 10 thousand of RMB: Emoluments	Social insurance, enterprise annuity, supplementary medical insurance and housing provident fund deposited by the Bank	Total	Emoluments received from related parties or not	Class of shares	Number of shares held at the beginning of the Reporting Period (share)	Increase (or decrease) in shareholdings during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Reason for changes
Xu Jiming	Ex-Chairman of the Board of Supervisors and Ex-Shareholder Supervisor	67.26	26.75	94.01	No	A Share	0	0	0	–
						H Share	0	0	0	–
Li Yao	Ex-External Supervisor	23.26	–	23.26	No	A Share	0	0	0	–
						H Share	0	0	0	–
Huang Hongyuan	Ex-Executive Vice President	50.44	22.76	73.21	No	A Share	0	0	0	–
						H Share	0	0	0	–
Hao Cheng	Ex-Executive Vice President	30.27	13.02	43.29	No	A Share	0	0	0	–
						H Share	0	0	0	–
Wang Wenjin	Ex-Chief Business Officer (Corporate & Institutional Business)	101.75	24.47	126.22	No	A Share	104,500	0	104,500	–
						H Share	0	0	0	–

Notes:

1. In 2024, the remuneration of the Bank's directors, supervisors and senior management managed by the Central Government will be implemented in accordance with the relevant measures for the remuneration management of the heads of central financial enterprises. In accordance with the relevant regulations, the final remuneration of the Bank's directors, supervisors and senior management for 2024 is in the process of being confirmed, and the remainder will be disclosed upon confirmation.
2. The independent Non-executive Directors do not receive remuneration from the Bank's related parties (excluding those related parties with whom the Bank has a relationship because the independent directors also serve as directors and senior management in other companies).
3. Employee supervisors receive remuneration for their positions in their capacity as employees and do not receive remuneration in their capacity as employee supervisors.
4. In this table, the total pre-tax remuneration received by all directors, supervisors and senior management personnel (excluding resigned/retired Directors, Supervisors and Senior Management) during the Reporting Period was 16.0266 million.

Additionally, Mr. Chan Siu Chung, Director of the Bank, held 98 H shares of BOCOM International Holdings Co., Ltd. In addition to the disclosures above, as at the end of the Reporting Period, none of the Bank's directors, supervisors or chief executives had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required to be recorded in the register as kept pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Bank and the Hong Kong Stock Exchange.

2. Remuneration decision-making process and the deciding factors

The remuneration plan for Directors and Senior Management was drafted by Personnel & Remuneration Committee and was submitted to the Board of Directors for review. Furthermore, the Directors' remuneration was required to be submitted to the Shareholders' General Meeting for review and approval. Supervisors' remuneration plan was submitted to the Board of Supervisors for review by Nomination and Remuneration Committee of the Board of Supervisors. After the review by the Board of Supervisors, such plan was submitted to the Shareholders' General Meeting for final review and approval.

The remuneration of the Bank's directors, supervisors and senior management is determined in accordance with the relevant state regulations and the Bank's appraisal and allocation scheme for senior management. For the Bank's directors, supervisors and senior management personnel managed by the central government, the remuneration is strictly determined in accordance with central financial enterprise remuneration measurement specifications for person in charge. For the Bank's senior management who are not managed by the central government but receiving remuneration from the Bank, the remuneration scheme shall be reviewed and approved by the Board of the Bank. In order to balance the incentives and risk constraints, certain portion of the annual performance bonus is subject to deferred payment in the next three years, which was supposed to be paid by 1/3 each year.

VIII. HUMAN RESOURCE

(I) Basic information of Employees

As at the end of the Reporting Period, the Group had a total of 95,746 employees, among which 89,301 employees were based in domestic banking institutions and 2,623 were local employees in overseas branches (sub-branches), and 3,822 were employees of the Bank's subsidiaries (excluding staff dispatched from the Head Office and branches to subsidiaries). The number of retired employees that the Bank had obligation to bear the cost to was 2,297. Among the employees of the Group, 45.02% were male and 54.98% were female. The Bank adhered to equal employment opportunity and equal pay for equal work, as well as paying attention to protect the rights of female employees and eliminating discrimination of any act.

For employees in domestic banking institutions, 25,400 employees held professional technical qualifications, of which 556 employees held senior technical qualifications, accounting for approximately 0.62%. 13,869 employees held intermediate technical qualifications, accounting for 15.53%, 10,975 employees held junior technical qualifications, accounting for 12.29%. The number of employees with master's degree and above was 17,925, accounting for 20.07%. The number of employees with bachelor's degree was 63,468, accounting for 71.07%. The number of employees with associate's degree and below was 7,908, accounting for 8.86%.

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Structure of position categories of domestic employees

Category of position	Number of employees	Proportion
Sales Development	30,813	34.50
Financial Operation	23,953	26.82
Operating and Management	7,645	8.56
Service Assurance	5,754	6.44
Risk Compliance	5,973	6.69
FinTech	8,373	9.38
Audit and Supervision	1,344	1.51
Others	5,446	6.10
Total	89,301	100.00

Note: FinTech headcount includes the personnel of FinTech Department and various personnel from different business departments empowering the business with science and technology.

Assets, entities and employees by regions as at the end of the Reporting Period

	Assets		Entities		Employees	
	Amount (in millions of RMB)	Proportion	Number of entities	Proportion	Number of employees	Proportion
Yangtze River Delta	3,701,661	24.84	709	24.58	24,007	26.12
Pearl River Delta	1,271,976	8.54	322	11.17	10,261	11.16
Bohai Rim Economic Zone	2,151,326	14.44	480	16.64	14,385	15.65
Central China	1,587,010	10.65	515	17.86	15,012	16.33
Western China	1,073,003	7.20	475	16.47	12,243	13.32
North Eastern China	505,981	3.40	316	10.96	8,461	9.20
Overseas	1,221,484	8.20	66	2.29	2,623	2.85
Head Office	5,623,577	37.74	1	0.03	4,932	5.37
Eliminated and unallocated assets	(2,235,301)	(15.01)	–	–	–	–
Total	14,900,717	100.00	2,884	100.00	91,924	100.00

Note: The number of employees in the Head Office excluded the employees in the Pacific Credit Card Centre, the financial service centres/business operation department and the staff dispatched from the Head Office.

(II) Remuneration Policy

The Bank strictly implemented all regulatory requirements for remuneration distribution, focusing on the positive correlation between resource allocation and value creation, ensuring that the salary level is compatible with the business performance after risk adjustment, taking into account fairness and efficiency, guiding institutions to balance current and long-term risks and returns, so as to drive the high-quality development of the Bank. The Bank's remuneration program for FY2024 was formulated in compliance with the relevant laws, regulations and regulatory requirements, and strictly complied with the internal decision-making process and corporate governance procedures, and was filed with the relevant competent authorities in accordance with the regulations. During the Reporting Period, the Bank's economic, risk and social responsibility indicators were well achieved.

In accordance with reform and development requirements, the Bank improved the performance appraisal and remuneration system whereby "salary is determined by post and bonus granted upon performance". The Bank fully considered both the value creation and the principle of maintaining fairness, optimised the allocation of remuneration resources, guided and maximised the value creation of operating units, and improved its ability to pursue high-quality development. In addition, the Bank focused on responsibility, grassroots operations and performance, and was committed to offering positive incentives. In order to improve the incentive constraint mechanism and fully leverage the guiding role of remuneration in operations and management, the Bank formulated and improved the Administrative Measures on Deferred Payment, Recourse and Deduction of Performance Wages for Bank of Communications Co., Ltd.. The Bank also established a deferred payment, recourse and deduction system for the performance wages of senior management and personnel in key positions within the Group, and deferred payment of over 40% of their performance wages for a period of not less than three years. In subsequent years, the Bank will stop payments, pursue recourse and deduct relevant amounts based on personnel's responsibility for abnormal risk exposures as well as violations of laws, regulations and disciplinary rules. During the Reporting Period, in accordance with the above Administrative Measures, the Bank stopped paying and recovered performance wages for the corresponding period from relevant personnel who were disciplined or held accountable.

In addition to basic social security and insurance, the Bank implements supplementary benefits for staff such as annuities, with a view to caring for the welfare of its people. Please refer to "Note 12. to the Consolidated Financial Statements: Staff costs" for the details of staff costs and benefits of the Bank for this Reporting Period.

(III) Training Management

During the Reporting Period, in accordance with the *Education and Training Plan for Cadres and Staff of Bank of Communications* (2023-2027), the Bank carried out training sessions to improve employees' performance and political capabilities and cultivate a financial team that is honest, professional and competitive. The Bank organised rotational trainings covering the spirit of the Central Financial Work Conference, Party discipline, and the spirit of the Third Plenary Session of the 20th CPC Central Committee, so as to deliver comprehensive training to personnel and achieve full training coverage. For key targets such as executive leaders, outstanding young cadres and new cadres, the Bank carried out training on key content such as the "five priorities" of finance, preventing and resolving financial risks, and promoting digital transformation. At the same time, the Bank focused on the needs of high-quality development, and carried out targeted training for various types of professional teams, such as fintech professionals, account managers/product managers, risk managers, payment and settlement professionals, and Party building personnel. The Bank continued to carry out qualification certification training and conducted examinations of various business lines to ensure that personnel on duty have the necessary knowledge and act with professionalism. In addition, the Bank fully leveraged its e-Campus network platform to hold lectures on corporate business, international business, inclusive business, retail credit, risk management, internal control compliance, credit management and other business topics, with the goal of improving employees' professional skills. The Bank promoted the standardisation and systematisation of new staff training throughout the Bank, and set up an onboarding training course system that features "1 + 7" main courses + 24 basic public courses + 20 professional skills courses. In 2024, the Bank also held a centralised onboarding ceremony for new staff throughout the Bank, with a view to encouraging new staff to quickly integrate into BoCom and take the "first and right step" as honest practitioners. During the Reporting Period, the Bank carried out more than 13,000 training sessions for cadres and employees, with a total of more than 1.05 million participants.

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

(IV) Talent Training and Reserve

During the Reporting Period, the Bank continued to optimise the talent development policy mechanism, and strengthened the construction of professional teams to provide a strong foundation for high-quality development and the digital transformation of the Bank. The Bank made every effort to promote the implementation of the Ten Thousand People Technology Engagement plan. As at the end of the Reporting Period, the Group had 9,041 fintech personnel, an increase of 15.70% over the end of the previous year. During the year, the Bank expanded support for professionals in key business areas and regions, and continued to focus on recruiting resources in key areas such as the "five priorities" of finance, fintech, retail risk control, audit and compliance, as well as in regions with large numbers of professionals such as the Yangtze River Delta, the Guangdong-Hong Kong-Macao Region and the Beijing-Tianjin-Hebei Region. The Bank also continued to carry out the supporting policy for professional service groups, and selected professionals to assist at branches located in challenging areas and national strategic areas and branches facing operating difficulties. Furthermore, the Bank made greater efforts to attract high-level professionals, focused on key areas of the "five priorities" of finance, and set up more than 50 high-level positions in the areas of fintech, risk measurement, and legal compliance.

IX. INTERNAL CONTROLS

(I) Statement of the Board of Directors on Internal Controls Responsibility

The objective of the internal controls of the Bank is to ensure the faithful implementation of the relevant laws, regulations and rules of the State, the realisation of the development strategies and operational objectives, the effectiveness of risk management, and the truthfulness, accuracy, completeness and timeliness of the business records, accounting information, financial information, and other management information of the Bank.

It is the Board of Directors' responsibility to establish, improve and effectively implement internal controls, assess the effectiveness of internal controls, and truthfully disclose the internal controls assessment report. The internal control system aims to manage rather than eliminate the risk of failing to achieve business targets, and it can only make reasonable rather than absolute assurance over items with no material misrepresentation or loss. The Board of Supervisors supervises the establishment and implementation of internal controls by the Board of Directors and senior management. Senior management is responsible for organising and leading the day-to-day operation of internal controls within the enterprise. The Board of Directors sets up the Audit Committee and the Risk Management and Related Transactions Control Committee to perform the corresponding internal controls functions. Senior management sets up the Comprehensive Risk Management and Internal Controls Committee to take charge of coordinating and promoting the internal controls systems construction, reviewing the basic policies of internal controls, and organising and implementing significant events of internal controls.

(II) Statement of Effectiveness of Internal Controls

In 2024, the Group continued to aim to "institutionalise management, institutionalise processes, and informatise processes". It deepened the reform effect of the internal control and compliance management system, and constructed an internal controls system suitable for the business scope, organisational structure, business scale, and risk situation. During the Reporting Period, firstly, in order to strengthen organisational leadership, the Group improved the mechanisms of the internal control compliance assessment, internal control compliance and operational risk evaluation, and workshops on operational risk and case prevention, etc., and continued to consolidate the work pattern of the business department, the internal control compliance management department, and the internal audit department through joint management efforts. Secondly, in order to strengthen work coordination, the Group took the "system management-supervision and inspection-problem rectification-evaluation and accountability" internal control and compliance management closed-loop as the main line, focused on risk prevention and control in key areas, and promoted the effective improvement of internal control and compliance management. Thirdly, in order to strengthen technology empowerment, the Group strengthened four systems, i.e. employee behaviour compliance, business behaviour compliance, internal control compliance management, and anti-money laundering, thereby driving the standardisation and systematisation of work. Fourthly, in order to strengthen the construction of an internal control and compliance culture, the Group promoted centralised education regarding the theme of "strict adherence to the bottom line and proactive compliance", and carried out the promotion and guidance of an internal control and compliance culture, combating illegal financial activities, anti-money laundering training and

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education, rule of law publicity, and case prevention warning education in an integrated way.

With a focus on its internal controls objectives, the Bank established a stringent internal controls system for financial reporting. During the Reporting Period, the Board of Directors ensured the effectiveness of the risk management and internal control systems of the Bank and its subsidiaries on many important aspects including financial monitoring, operations monitoring, and compliance monitoring. In addition, the Board of Directors ensured that the resources, staff qualifications, and experience of the Group's accounting, internal audit, and financial reporting functions and those relating to environmental, social and governance performance and reporting were adequate, and that the training programmes received by the staff and the related budgets were sufficient.

(III) Organization Structure and Main Duties of Audit Supervision

The Bank's audit work is led by the Board of Directors, which assumes the ultimate responsibility for the independence and effectiveness of the internal audit. According to the size and complexity of the Bank's businesses, the Board of Directors provided the followings: sufficient and stable internal auditors, sufficient audit funds included in the financial budget, support for the informatisation of the audit work, and necessary guarantees for the independence and objectivity of the internal audit. The Board of Directors set up an Audit Committee to monitor, assess and evaluate the internal audit work on an ongoing basis, reviewed important systems and reports such as the Internal Audit Charter, approved the annual audit plan, and received the report on relevant audit results. The Bank established a two-level audit supervision system, namely, the Head Office Audit Supervision Bureau and the Audit Supervision Sub-bureaus, to implement vertical and unified management. The Bank's Audit Department consistently promoted full-spectrum audits, focused on the major decisions and deployment of the CPC Central Committee, the implementation of the Bank's strategy and key risk areas, supervised, inspected and evaluated the appropriateness and effectiveness of corporate governance, business activities, risk management, and internal control compliance, urged the rectification of problems identified, and promoted the steady development of the Bank and the achievement of the Board of Director's strategic goals.

(IV) Management and Control over Subsidiaries

In line with the strategic plan of the "14th Five-Year Plan", the Bank strengthened its coordination with its subsidiaries and enhanced the Group's comprehensive service capability across industries, borders and markets. The Bank encouraged subsidiaries to improve their governance structure and procedures including "Shareholders' Meeting, Board of Directors, Board of Supervisors and Senior Management" to enhance the effectiveness of corporate governance. It promoted the extension of the Group's line-management requirements to subsidiaries and strengthened the management of subsidiaries' shareholdings. The Bank incorporated subsidiaries into the Group's consolidation management system and comprehensive risk management and internal control system. Under the Group's overall policy framework, each subsidiary formulated its own risk appetite and limits in light of the local regulatory requirements and its own business operations, established a risk governance structure with a robust organisational structure and well-defined responsibilities, and improved specific risk management policies, systems and implementation rules.

(V) Self-Assessment Report on Internal Controls and Auditor's Report on Internal Controls

The Bank disclosed the assessment report on internal controls and the auditor's report on internal controls along with the Annual Report.

In 2024, the Bank continued to improve the comprehensiveness and effectiveness of internal control assessment. The internal control assessment was jointly carried out by the business department and the internal audit department organised by the internal control management functional department. The assessment covered the headquarters of the Bank, domestic and foreign branches, and affiliated subsidiaries, with the assessment covering multiple dimensions. The assessment effectively promoted the joint management of the "three lines of defence", timely identified and rectified internal control deficiencies, and consolidated the foundation of high-quality development. The Board of Directors conducted an annual assessment on the effectiveness of internal controls of the Bank as at 31 December 2024 (the base date of the assessment report on internal controls). Based on the Bank's criteria for evaluating deficiencies in internal controls over financial reporting, there were no material weaknesses or significant deficiencies in internal controls over financial reporting as at the base date of the assessment report on internal controls. The Bank maintained effective and adequate internal controls over financial reporting in all material respects. In accordance with the Bank's internal controls on the identification of non-financial reporting deficiencies, no material weakness or significant deficiencies were identified in the internal controls of non-financial reporting. The Bank proactively put efforts into improving and monitoring items with room for improvement, which did not pose any substantial impacts on the soundness and effectiveness of internal controls and reliability of financial reporting. The Comprehensive Risk Management and Internal Controls Committee of the Bank heard periodical reports on the results of rectification for the internal control problems identified in either internal or external review processes and pushed forward the implementation of the rectification of the relevant problems.

No events influencing the effectiveness of the internal controls assessment were identified from the base date of reporting to the issuance date of the internal controls assessment report.

The Bank engaged KPMG Huazhen LLP to perform audit procedures on its internal controls. The Bank's conclusion on the effectiveness of internal controls for the purpose of financial reporting is consistent with the audit option on internal controls. The disclosure of material deficiency of internal controls, which is not for the purpose of financial reporting, is consistent with the disclosure of the Bank's internal audit assessment report.

For details on the Group's assessment report on internal controls and the auditor's report on internal controls, please refer to announcements of the Bank published on the website of the SSE, the website of HKEX News of Hong Kong Stock Exchange, and the Bank's website.

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X. ACCOUNTABILITY MECHANISM OF MATERIAL MISTAKES IN INFORMATION DISCLOSURE OF ANNUAL REPORT

The Bank strictly complied with the regulatory requirements and BoCom's internal policies, attended the information disclosure training, clarified internal control points of information disclosure in aspects of information reporting, preparation, and review, improved position responsibilities, implemented accountabilities for errors and prevented material disclosure errors. During the Reporting Period, there were no material mistakes in the information disclosure of the Annual Report of the Bank.

XI. MANAGEMENT OF INSIDE INFORMATION

The Bank implemented inside information management in accordance with laws and regulations, regulatory requirements, and the Bank's internal policies. In addition, the Bank strictly controlled the range of persons with access to inside information with a timely registration system. Unless the relevant information falls within the scope of the safe harbour provision referred to in the Guidelines on Insider Information Disclosure of the Hong Kong Securities and Futures Commission, the Bank will disclose such inside information to the public as soon as reasonably practicable. During the Reporting Period, there were no leakages of inside information.

XII. SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

XIII. CHAIRMAN AND PRESIDENT

On 14 May 2024, Mr. Liu Jun stepped down as President of the Bank. After deliberation at the 14th meeting of the 10th Board of Directors, Ren Deqi, Chairman of the Board of Directors, performed the duties of President on his behalf. In June 2024, the qualification of Mr. Zhang Baojiang as President of the Bank was approved by the National Financial Regulatory Administration of the People's Republic of China. Following this, Chairman-Ren Deqi no longer acted as President of the Bank.

Save as disclosed above, the Board of Directors of the Bank confirmed that, during the year ended 31 December 2024, the Bank had complied with the principles and code provisions contained in the Corporate Governance Code all the time, and complied with the majority of the recommended best practices.

XIV. APPOINTMENT OF AUDITORS

As of the time of the 2024 Shareholders'General Meeting of the Bank, KPMG Huazhen LLP (Special General Partnership) and KPMG have each completed 3 years of service for the Bank. The audit project partner and the signatory certified public accountant have served the Bank for 3 years.

Upon approval at the 2023 Shareholders'General Meeting of the Bank in relation to the appointment of auditors for the year of 2024 KPMG Huazhen LLP was engaged by the Bank to perform the audit for financial statements under CAS, internal controls of the Bank and other related professional services. While, KPMG was appointed by the Bank to perform the audit for financial statements under IFRSs and other related professional services. The engagement period commenced from the date of approval at the 2023 Shareholders'General Meeting of the Bank and will end upon the conclusion of the 2024 Annual General Meeting. In 2024, KPMG and its network member firms were engaged to provide services to the Group (including the Group's subsidiaries and overseas branches) with a total audit fee of approximately 86.358 million, which included financial statement audit fees of 69.976 million, internal controls audit fees of 1.849 million and 14.533 million for related professional services.

The Audit Committee of the Board of Directors of the Bank expressed its satisfaction with the work, independence and objectivity of KPMG and its network member firms.

XV. ESTABLISHMENT AND IMPLEMENTATION OF ASSESSMENT MECHANISM AND INCENTIVE MECHANISM FOR SENIOR MANAGEMENT DURING THE REPORTING PERIOD

The performance assessment of the Bank's senior management is conducted in accordance with relevant national requirements and the Bank's assessment method for annual business performance of senior management.

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

XVI. INVESTOR RELATIONS

The Bank adhered to the concept of maximizing the value for investors and was committed to constantly diversifying the channels and forms of communication with investors, value promotion to investors and value recognition by investors, so as to create value for investors. The Bank attached great importance to protecting the legitimate rights and interests of investors, carried out information disclosure in strict compliance with regulations, strived to build and maintain benign and harmonious investor relations, and continued to build the Bank's good image as an honest, open and responsible large-scale state-owned listed bank.

(I) Strengthen system construction and consolidate the foundation of investors relations management

In accordance with the latest regulatory requirements and in combination with the Bank's actual situation, the Bank revised and improved the Investors Relations Management Measures, further defined the main responsibilities of the Board, senior executive, various departments and business units and other relevant entities in investor relations management, the content of investor exchanges, and the way of investor exchanges, further improved the mechanism and content of investor relations management, and further improved the institutional guarantee for the Bank's market capitalisation management.

(II) Promote communication with the capital market through improving diversified communication channels

The Bank's senior management attached great importance to investor relations work and personally participates in major investor relations activities. During the Reporting Period, the Bank held 4 periodical performance announcements via a flexible combination of Internet video live streaming, telephone conferences, and on-site meetings, as

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well as web-based results presentations for small and medium-sized investors, which resulted in a total of more than 180,000 investors, analysts and media journalists being exchanged with the Bank. The senior management of the Bank led a team to conduct domestic and overseas roadshows and had in-depth exchanges with domestic and overseas institutional investors. The Bank adhered to the combination of "going out" and "inviting in" strategies to actively carry out routine exchanges on the capital market. During the Reporting Period, the valuation management team participated in 73 domestic and foreign investor forum activities on the spot, and communicated with about 600 institutional investors in total, and maintained communication with small and medium-sized investors through online platforms such as Shanghai Stock Exchange e-platform, online reception day, investor hotline, and investor mailbox.

Thanks to effective market communication and promotional activities, the Bank was awarded "Top IR Company" and the "Outstanding ESG Value Communication Award" in the "The 5th Quanjing Investor Relations Gold Award" jointly organised by Quanjing.com and Nankai University, and Ren Deqi, the Chairman of the Board, was awarded "Outstanding IR Chairman".

(III) Strictly Adhere to the bottom line of legal compliance and standardize information disclosure

The Bank followed the principle of "True, Accurate, Complete, Timely and Fair" to carry out information disclosure, issued a total of 155 regular reports and various temporary announcement throughout the year, and maintained full and effective communication with the capital market. At the same time, the Bank enriched the contents of its regular reports around the focus of market concerns, continuously disclosed the progress of its development strategies, demonstrated the features of its inclusive finance, trade finance, technology finance and wealth finance businesses, as well as the effectiveness of the construction of the Shanghai home turf and the digital transformation, and enriched the disclosure of the governance mechanism and results of the development of green finance. The Bank proactively responded to the market's concerns about the hot issues and enhanced the effectiveness of information delivery. The Bank has been rated as a Class A company for information disclosure by the SSE for eleven consecutive years.

(IV) Effectively safeguard the Rights and Interests of the Investors and maintain stable dividend levels

During the Reporting Period, upon approval by the Shareholders' General Meeting, a cash dividend of RMB0.375 (tax inclusive) was distributed to each ordinary share, totaling RMB27.849 billion, accounting for 32.67% of the net profit distributable to shareholders of the Bank. The dividends of domestic preference shares distributed by the Bank were RMB1.832 billion. During the Reporting Period, the Bank regularly convened three Shareholders' General Meetings, using on-line voting, small and medium investors voting on major events with independent vote counting and other means to ensure the equality and fairness of legal rights of large and small shareholders. Strictly abiding by the "Shareholders' Communication Policy" of the Hong Kong Stock Exchange, the Bank listened to the opinions and suggestions from shareholders through investor mailbox, investor hotline, SSE e-Interaction Platform and other channels, and made announcement to publicly collect concerns from investors before releasing annual and semi-annual performance and third quarter performance, so as to ensure their right to know. The Bank has reviewed the implementation of the Shareholders' Communication Policy during the Reporting Period and considered the current Shareholders' Communication Policy adequate and effective.

The Board of Directors hereby presents its report and the audited Consolidated Financial Statements of the Group for the fiscal year 2024.

I. PRINCIPAL ACTIVITIES

The Group is principally engaged in the provision of banking and related financial services. Please refer to the section of "Management Discussion and Analysis" for a review of the Group's business during the Reporting Period. Please refer to the section of "Significant Events" for the important events of the Group that occurred since the end of the Reporting Period.

II. SUMMARY OF FINANCIAL INFORMATION

Please refer to the section of "Financial Highlights" for the summary of the operating performance, assets, and liabilities for the past three years.

III. RESULTS AND PROFIT DISTRIBUTION

(I) Please refer to the Consolidated Statement of Profit or Loss and Other comprehensive income for the operating performance of the Group during the Reporting Period.

(II) Please refer to "Note 34. to the Consolidated Financial Statements: Other reserves and retained earnings" for the details of the Group's undistributed profits as at the end of the Reporting Period.

(III) The formulation, implementation or adjustment of the cash dividend policy.

The Bank's Articles of Association clearly stated that the Bank may distribute dividends in cash or shares. The profit distribution of the Bank should focus on the reasonable return for investors. The profit distribution policy should maintain its continuity and stability. Unless under special circumstances, the Bank should distribute dividends mainly in cash if it records profit in the year and the accumulated undistributed profits are positive. The total profit distributed in cash for each year should not be less than 10% of the Group's net profit that are attributable to shareholders of the Bank.

During the Reporting Period, the Bank distributed a cash dividend of RMB0.375 (tax inclusive) per share to ordinary share holders, which amounted to a total of RMB27.849 billion, accounting for 32.67% of the net profit attributable to ordinary shareholders of the Bank. The profit distribution policy is in compliance with the Articles of Association as well as the resolutions of Shareholders' General Meeting. The plan, to which independent consent was expressed by 6 Independent Non-executive Directors, was clear in terms of the standard and ratio of dividend distribution with adequate decision-making procedures and mechanism, which fully protected the legitimate rights and interests of medium and small investors, enabling them to fully express their opinions and demands.

The Board of Directors of the Bank considered that in order to further enhance the sense of gain of investors and take into account the capital demand of the Bank's long-term development, it was proposed to the General Meeting for approval to distribute the semi annual profit of 2024 to all ordinary shareholders in the first quarter of 2025, with a cash dividend of RMB0.182 (tax inclusive) per share. In March 2025 the Board of Directors of the Bank deliberated and approved the distribution of 2024 profits to ordinary shareholders, with a cash dividend of RMB0.197 (tax inclusive) per share. In 2024, the Bank distributed a total of RMB28.146 billion of cash dividends to ordinary shareholders, accounting for 32.68% of the net profit attributable to ordinary shareholders of the Bank. The withholding and reduction of taxes related to dividends were carried out in accordance with relevant national laws

REPORT OF THE BOARD OF DIRECTORS

and regulations. For details, please refer to dividend distribution implementation announcement issued by the Bank. Please refer to the section of "Changes in Shares and Shareholders" for the result of preference share dividend distributions.

IV. CAPITAL RESERVE

Please refer to Consolidated Statement of Changes in Equity for the details on the movements of capital reserve of the Group during the Reporting Period.

V. CHARITABLE DONATIONS

Charitable donations made by the Group during the Reporting Period amounted to 58,839.9 thousand[6].

VI. FIXED ASSETS

Please refer to "Note 23. to the Consolidated Financial Statements: Property and equipment" for the details of changes in the Group's fixed assets during the Reporting Period.

VII. PUBLIC FLOAT

During the Reporting Period and up to the latest practicable date prior to the publication of this Annual Report, the Bank kept on fulfilling the public float requirements in compliance with the Hong Kong Listing Rules, based on public information and knowledge of the directors.

VIII. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACT

None of the directors or supervisors of the Bank entered into any service contracts with the Bank, which would entail compensation if terminated by the Bank within one year (other than statutory compensation).

6 Including personal donations of employees.

IX. INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Other than the information disclosed in the section of "(III) Continuing connected transactions under the standards of Hong Kong Stock Exchange" in the report of the Board of Directors, during the Reporting Period or as at the end of the Reporting Period, neither the Bank's directors or supervisors, nor their connected entities had any direct or indirect material interests in any transactions, arrangements or contracts of significance set up by the Bank or any of its subsidiaries.

X. MANAGEMENT CONTRACT

During the Reporting Period, the Bank neither entered into nor held any contracts concerning the management and administration of the whole or any substantial part of the Bank's businesses.

XI. INTERESTS OF DIRECTORS IN COMPETING BUSINESS OF THE BANK

Except as disclosed in the section of "Corporate Governance", none of the directors of the Bank held any interests among the businesses that directly or indirectly competed or were likely to compete with the Bank.

XII. REMUNERATION POLICY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Please refer to the section of "Remuneration Decision-making Process and the Deciding Factors".

XIII. RELATIONSHIP AMONG DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

There was no financial relationship, business relationship, family relationship or any other significant relationship subject to disclosure among directors, supervisors and senior management of the Bank.

XIV. PRE-EMPTIVE RIGHTS, SHARE OPTION ARRANGEMENTS, AND ISSUANCE OF BONDS

There were no provisions regarding pre-emptive rights of the shareholders under the Articles of Association or relevant laws and regulations of the People's Republic of China, and the Bank did not have any arrangements with respect to the share options. During the Reporting Period, the Bank did not issue any ordinary shares or convertible bonds. Please refer to "IV Issuance, Listing, Trading and Redemption/Payment of Securities" set out in the section of "Changes in Shares and Shareholders" for the issuance of bonds by the Bank during the Reporting Period.

XV. RIGHTS OF DIRECTORS AND SUPERVISORS TO SUBSCRIBE FOR SHARES OR DEBENTURES

During the Reporting Period or as at the end of the Reporting Period, the Bank or its subsidiaries did not enter into any agreements or arrangements which enabled the directors or supervisors to acquire benefits by means of the acquisition of shares or debentures of the Bank or any other legal entities.

XVI. MAJOR CUSTOMERS

During the Reporting Period, the total interest income and other operating income from the 5 largest customers of the Group accounted for less than 30% of the sum of the Group's interest income and other operating income.

XVII. CONNECTED TRANSACTIONS

During the Reporting Period, the Bank strictly followed the regulations of the NFRA, the CSRC and the listing rules of Shanghai and Hong Kong, implemented standardised management on related party transactions, adhered to commercial principles, and conducted related party transactions on conditions not superior to similar transactions with non-related parties. During the Reporting Period, there were no unfair related party transactions.

(I) Related party transactions under the NFRA standards

According to the *Administrative Measures on Related-party Transactions of Banking and Insurance Institutions (Order of the China Banking and Insurance Regulatory Commission [2022] No. 1)*, the Bank's on – and off-balance sheet net credit amount to all related parties was 279.891 billion at the end of the Reporting Period, accounting for 21.0776% of the Bank's net capital. Bocom Leasing Management Hong Kong Co Ltd. had the largest net credit, with the on – and off-balance sheet net credit amount of 43.259 billion, accounting for 3.2577% of the Bank's net capital. Among the groups of affiliated legal persons, the Bank of Communications Financial Leasing Co.,Ltd. and its subsidiaries had the largest net credit, with the on – and offbalance sheet net credit amount of 110.311 billion, accounting for 8.3072% of the Bank's net capital. All of the above are in compliance with the regulatory ratio requirements.

At the end of the Reporting Period, the net value of the transactions with affiliated legal persons or unincorporated organisations was 279.467 billion, mainly including loans and advances to customers (trade financing included), securities investment, due from and placements with banks and other financial institutions, and other on-balance-sheet credits, as well as off-balance-sheet businesses such as letters of guarantee, letters of credit, and bank acceptance notes. Counterparties mainly included Bocom Leasing Management Hong Kong Co Ltd., Industrial Bank Co., Ltd., Bank of Communications Financial Leasing Co., Ltd, Bocom Financial Asset Investment Co., Ltd., China CITIC Bank Co., Ltd.,

REPORT OF THE BOARD OF DIRECTORS

BoCom Leasing Development Hong Kong Company Limited, Huaxia Bank Co., Ltd., Bank of Beijing Co., Ltd., BANCO BOCOM BBM S.A., and CITIC Limited. As at the end of the Reporting Period, the balance of loans for related natural persons of the Bank was 282 million, and the overdraft limit of credit cards (including the credit undrawn) amounted to 142 million.

During the Reporting Period, the Bank and its related parties accumulated assets transfer transactions of 10.943 billion; service-based transactions of 6.692 billion; deposits of 155.885 billion; derivatives transactions of 3.287 billion[7] on the basis of the absolute value of fair value valuation at the date of the transaction and other transactions of 16 million.

(II) Related party transactions under the standards of the CSRC and the SSE

According to the CSRC's *Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 26 – Special Provisions on Information Disclosure by Commercial Banks* and the *Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 – Contents and Formats of Annual Reports (2021 Revision)*, the total on – and off-balance sheet credit granted to all related parties by the Bank under the standards of the CSRC and SSE at the end of the Reporting Period was 16.827 billion.

At the end of the Reporting Period, the Bank's credit balance with affiliated legal persons or unincorporated organisations was 16.819 billion. Transactions with affiliated legal persons or unincorporated organisations mainly included on-balance-sheet businesses such as loans, securities investments, and other on-balance-sheet credit. Counterparties included HSBC Bank (China) Company Limited, The Hongkong and Shanghai Banking Corporation Limited, CITIC Limited., China Life Property and Casualty Insurance Company Limited, and HSBC Asia Holdings Limited. At the end of the Reporting Period, the overdraft limit of credit cards (including the credit undrawn) amounted to 8.1703 million.

During the Reporting Period, the accumulated services provided by related parties to the Bank were 1.323 billion.

(III) Continuing connected transactions under the standards of Hong Kong Stock Exchange

HSBC is a substantial shareholder of the Bank. According to the Hong Kong Listing Rules, HSBC, together with its associates (including subsidiaries), are connected persons of the Bank. The Group has regularly engaged in various transactions in the normal course of banking businesses with HSBC Group, including but not limited to interbank loans and borrowings transactions, bond transactions, money market transactions, foreign currency transactions, other financial asset transactions, other financial service transactions and swaps and options transactions. To regulate the continuing transactions mentioned above, the Bank and HSBC entered into the *Interbank Transactions Master Agreement* on 29 May 2023 for a period of three years commencing on 1 June 2023 and ending on 31 May 2026. The terms and conditions of the agreement are not substantially different from those of the *Interbank Transactions Master Agreement* dated on 29 May 2020.

The parties agreed that each transaction contemplated under the agreement shall be carried out in accordance with applicable normal practice of the interbank market and on normal commercial terms: where there are applicable laws or regulations

7 The Bank collected and summarised related party transactions in accordance with the supervisory regulations and relevant summarising requirements.

or promulgations by or notices from applicable regulatory authorities fixing the prices or rates for the transaction, such fixed prices or rates shall apply; where there is no fixed price or rate, for open market transactions, reference will be made to the prevailing market prices; while for other types of transactions (such as over-the-counter transactions), it shall be determined with reference to the prices or rates the parties would quote to each other or to independent counterparties (of equivalent credit worthiness as the parties) with respect to the particular type of transaction concerned (if applicable) and the risk management policies of both parties with respect to the transaction concerned.

For the year ended 31 December 2024, the continuing connected transactions under the Master Agreement did not exceed their respective caps: 1. During the period from 1 January 2024 to 31 December 2024, each of the realized gains, the realized losses, the unrealized gains and the unrealized losses (depending on the situation) arising from the non-exempt continuing connected transactions did not exceed RMB13.376 billion. 2. During the period from 1 January 2024 to 31 December 2024, the fair value of the foreign currency transactions, other financial asset transactions, swaps and options transactions with the HSBC Group (regardless whether recorded as assets or liabilities) did not exceed RMB19.009 billion. During the Reporting Period, the continuing connected transactions under the Master Agreement were: 1. For the period from 1 January 2024 to 31 December 2024, realised gains, realised losses, unrealised gains and unrealised losses (depending on the situation) were 4.401 billion, 3.921 billion, 0.927 billion and 1.907 billion respectively; 2. As at 31 December 2024, the fair value of the foreign currency transactions, other financial asset transactions, swaps and options transactions with the HSBC Group (regardless whether recorded as assets or liabilities) was RMB9,718 million.

Pursuant to Rule 14A.87(1) and Rule 14A.90 of the Hong Kong Listing Rules, interbank loans and borrowings transactions contemplated under the agreement are exempted from the requirements of reporting, annual review, announcement, and independent shareholders' approval. Since Mr. Liao, Yi Chien David, and Mr. Chan Siu Chung are also employed by HSBC, they were deemed to have material interest in the continuing connected transactions contemplated under the 2023 Interbank Transactions Master Agreement and abstained from voting on the relevant resolutions of the Board of Directors. Other than the directors mentioned above, none of the other directors have a material interest in such continuing connected transactions.

Upon detailed review of the continuing connected transactions in 2024, all of the Independent Non-executive Directors of the Bank considered that the continuing connected transactions were: 1. In the ordinary course of businesses of the Group. 2. Under normal or more favourable commercial terms. 3. In accordance with the Agreement and on terms that are fair and reasonable and in the interests of the shareholders of the Bank as a whole.

The auditors had issued a letter to the Board of Directors in respect of the continuing connected transactions in 2024 confirming the following: 1. Such transactions were approved by the Board of Directors. 2. Such transactions were in accordance with the pricing policies of the Bank. 3. Such transactions were conducted in accordance with the terms of the Agreement. 4. The actual transaction amount of the non-exempt continuing connected transactions in 2023 did not exceed their respective caps.

REPORT OF THE BOARD OF DIRECTORS

The Bank confirmed that the specific agreements under the continuing connected transactions during the Reporting Period were entered into and executed in accordance with the pricing principles of such continuing connected transactions.

Save as disclosed above, no related party transaction or continuing related party transaction set out in Note 45. Related Party Transactions to the Consolidated Financial Statements that constitutes the connected transaction or continuing connected transaction required to be disclosed under the Hong Kong Listing Rules. Regarding the non-exempt connected transaction and continuing connected transactions, the Bank complied with the disclosure requirements as specified in Chapter 14A of the Hong Kong Listing Rules.

(IV) Please refer to "Note 45. to the Consolidated Financial Statements: Related Party Transactions" for related party transactions prepared in accordance with the accounting standards

XVIII. PERMITTED INDEMNITY PROVISION

Subject to the applicable laws and the coverage of insurance of directors' liabilities of the Bank placed for the directors, each director of the Bank will be entitled to be indemnified against all costs, charges, losses, expenses and liabilities incurred by him or her in the execution and discharge of his or her duties or in relation thereto. Such provisions were in force during the Reporting Period and remained in force as of the date of this Annual Report.

XIX. ENVIRONMENT POLICIES AND PERFORMANCE

Please refer to the section of "Environmental and Social Responsibility" in this report for the details.

XX. COMPLIANCE WITH LAWS AND REGULATIONS

The Group needs to comply with various laws and regulation, mainly including *the Civil Code of the People's Republic of China*, *the Company Law of the People's Republic of China*, *the Commercial Bank Law of the People's Republic of China*, domestic and overseas securities laws and exchange regulations, and other regulations and legal documents.

The Group ensures its adherence to the laws, regulations, departmental regulations and legal documents that are closely related to operations and management through internal control, compliance management, employee training, and other measures. The Group will notify related employees and operating teams in an appropriate manner if there are significant changes in laws, regulations, departmental regulations and legal documents.

During the Reporting Period, to the knowledge of the Bank's directors, the Group had no violation of related laws and regulations which would have significant effects on the Group's operations and management.

XXI. RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group is devoted to maintaining the long-term sustainable development, continuously creating value for employees and customers and keeping good relationship with suppliers. The Group clearly understands that employees are valuable assets. For details regarding the training management of employees, talent cultivation and reserve and remuneration policy, please refer to "Human Resource Management" set out in the section of"Corporate Governance" in this report. Emphasising on supplier selection, the Group encourages fair and public competition and intends to establish the long-term cooperation relationship with high quality suppliers based on mutual trust. Based on the core value of integrity, the Group is devoted to providing better financial services and creating a reliable service environment for customers.

XXII. LIST OF DIRECTORS

Please refer to the section "Corporate Governance" for the list of directors during the Reporting Period and as at the date of this Annual Report (unless otherwise stated).

The aforementioned sections, reports and notes form an integrated part of the Report of the Board of Directors.

By order of the Board of Directors
Chairman
Ren Deqi

21 March 2025

REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors, in accordance with relevant national laws and regulations, supervisory requirements, and the provisions of the Articles of Association, closely focused on the major decisions and deployments of the Central Committee of the CPC, with the objective of protecting the legitimate rights and interests of the Bank, shareholders, employees, creditors and other stakeholders, while actively fulfilling its supervision effectiveness in accordance with statutory responsibilities, and thereby effectively improving the Bank's level of corporate governance modernisation.

I. MAIN RESPONSIBILITIES OF THE BOARD OF SUPERVISORS

1. **To operate in compliance with rules and laws.** The Board of Supervisors of the Bank strengthened the Party leadership in improving corporate governance and standardised the implementation of the procedures for discussing and making decisions on major issues. Throughout the year, four meetings of the Board of Supervisors were held in compliance with the law. 20 proposals were considered, and the deliberations, reviews and briefings of the meetings covered all statutory duties of the Board of Supervisors. To strengthen the supportive role of special committees, 10 meetings of special committees were held throughout the year to consider 42 proposals and reports. The special committees carried out discussions with management on key issues of concern on a case-by-case basis, with important matters being considered by the special committees to form a collective opinion to be reported to the Board of Supervisors. The Bank's supervisors actively participated in various important meetings by attending three general meetings of Shareholders, six on-site meetings of the Board of Directors, and a number of important meetings in relation to the Senior Management and staff and workers' congress, such as the annual working meeting, business analysis meetings, etc., so as to follow up on the Bank's business decisions and the corresponding real-time implementation, and to provide strong informational support to the Board of Supervisors to perform their duties.

2. **To fulfil supervisory responsibilities with due diligence.** Firmly carrying out supervision and evaluation of the performance of duties, as the ultimate responsible unit of performance supervision and evaluation, the Board of Supervisors insists on deepening daily supervision through meetings, research, interviews and communication, and strives to fully understand the performance of the Board of Directors and its members, Senior Management and its members through multiple channels, so as to ensure the comprehensiveness, scientificity and vividness of information acquisition. To maintain the level of accuracy of evaluation, on the basis of ensuring its overall standard and seriousness, different types of directors and supervisors, as well as the responsibilities of their special committees, and the effectiveness of decision-making in the respective areas responsible by Senior Management personnel, were differentiated. The Board of Supervisors of the Bank completed the evaluation of the performance of the Board of Directors, Senior Management, and the Board of Supervisors for 2023, and completed the evaluation of the performance of 16 Directors, 12 Senior Management personnel, and 9 Supervisors. The evaluation results were shared with those being evaluated, submitted to the regulatory authority in a timely manner, and reported to the General Meeting of Shareholders. Continuing to deepen supervision and research, the Board of Supervisors is

actively implementing the "five priorities" of finance, carrying out special research on bank-wide technology finance services, further carrying out systematic research on frontier and hot areas in combination with internal and external situation changes and on the basis of evaluating the transformation effect of historical supervision achievements, clarifying the basic logic of business, and striving to find the crucial causes of problems, so as to render scientific and reasonable thinking and suggestions from the perspective of systematic mechanisms and to formulate the Bank-wide Supervision and Research Report on the Technology Finance Service, thereby providing advice for promoting the Group's high-quality development. Throughout the year, more than 20 surveys were carried out at all levels, across all units, and within an appropriate scope. Continuing to strengthen professional training, the Board of Supervisors organised supervisors to participate in professional trainings in respect of the reform of the independent director system and as an introduction to new anti-money laundering regulations and situational analysis, so as to strengthen their ability to perform duties and ensure their focus on changes in the situation and on regulatory requirements.

3. **To effectively deepen supervision in key areas.** Deepening strategic supervision, in combination with the Group's strategic priorities for the "14th Five-Year Plan" period, the Board of Supervisors reviewed the Interim Evaluation Report on the Implementation of 14th Five-Year Plan, the Evaluation Report on the Implementation of Strategic Priorities during the First Half of 2024, and other proposals, attended the meetings of the Board of Directors and the Strategy Committee as non-voting participant, continued to focus on the implementation of strategic priorities, and supervised the scientificity, rationality, and robustness of the Bank's development strategy. Effectively carrying out capital and financial supervision, the Board of Supervisors followed up on the Bank's major financial decisions and the corresponding implementation, reviewed regular reports on a quarterly basis, and timely obtained an understanding of the final financial accounts, significant investments and financings, write-off of assets, capital management, profit distribution, equity management, performance evaluation, remuneration management, incentives constraint mechanism, etc. The Board of Supervisors carried out operations management analysis and evaluation on a quarterly basis, leveraged the value analysis platform, management cockpit, peer disclosures, and other channels to follow up on the Bank's changing trend of asset scale, profitability, capital adequacy ratio, etc., and to follow up on the situation of global systemically important banks. To implement our financial supervision responsibilities, the Board of Supervisors fully discussed the key items of financial reports with the help of external audit professionals before regular meetings of the Board of Supervisors and intervened in the financial inspection of internal audit to understand the financial compliance management of key institutions. Performing supervisory responsibility in respect of risk, internal control, and compliance, the Board of Supervisors carried out risk supervision activities, reviewed the Comprehensive Risk Management Assessment Report on a quarterly basis, attended the relevant meetings of the Risk Management and Related Party Transaction Control Committee under the Board of Directors, Senior Management, etc., and timely obtained an understanding of the

REPORT OF THE BOARD OF SUPERVISORS

bank-wide credit risk, market risk, liquidity risk, operational risk, information technology risk, reputation risk, risk of cases involving criminal offence, etc. The Board of Supervisors focused on risks in key areas such as overseas institutions, subsidiaries, real estate, and local government debt, paid attention to the annual process of post-loan (investment) management, and tracked and supervised areas such as consolidated financial statements management, expected credit losses, stress testing, and digital risk control capacity building. The 2023 Annual Internal Control Evaluation Report was reviewed, with the purpose of urging the internal control evaluation to be more scientific and effective. The Board of Supervisors focused on the independence of external audits and the performance of the internal audit function, evaluated the Head Office Audit Supervision Bureau, reviewed the Audit Work Report on a quarterly basis, and tracked the systematic process deficiencies and system control loopholes identified in the internal audit. Furthermore, the Board of Supervisors attached importance to compliance management and supervision, and followed up bank-wide anti-money laundering, related party transactions, overseas compliance, case prevention and employee behaviour management, consumer protection, and information disclosure, etc. The Board of Supervisors closely followed up on internal and external supervision and inspection at all levels, regularly reporting problems identified from the supervision at the meeting of the Board of Supervisors, and urged rectification work to be done appropriately.

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

Compliance with Applicable Laws: During the Reporting Period, the Bank undertook its businesses pursuant to laws and its decision-making process was in compliance with laws, regulations and Articles of Association.

Authenticity of the Periodic Reports: The periodic reports truly and fairly presented the financial position and financial performance of the Bank. KPMG Huazhen LLP and KPMG respectively issued unqualified auditor’s report on the Bank’s financial statements for the year of 2024 and the Board of Supervisors has no objection to the report.

Profit Distribution: The Board of Supervisors believed that the approval procedures for the 2024 Profit Distribution Plan of the Bank were in compliance with laws, regulations and Articles of Association of the Bank, and the distribution plan was in line with the actual situation of the Bank and the need of sustainable and stable development, and there was no intentional damage to the interests of investors.

Use of Proceeds Raised: During the Reporting Period, the Bank used the proceeds raised according to the purposes as disclosed in the Prospectus.

Acquisition and Disposal of Assets: During the Reporting Period, the Board of Supervisors was not aware of any acquisition or disposal of assets by the Bank which may damage the interests of the shareholders, or which may cause impairment to the Bank's assets.

Related Party Transactions: During the Reporting Period, the Board of Supervisors was not aware of any related party transactions that would damage the interests of the Bank.

Implementation of Information Disclosure: During the Reporting Period, the Board of Supervisors did not identify false records, misleading statements or material omissions.

Related Proposals: The Board of Supervisors considered that the Board of Directors well performed the resolutions of the Shareholders' General Meeting and had no objection to the proposals submitted to the Shareholders' General Meetings. The Bank was committed to the continuous development and improvement of its internal control system, and the Board of Supervisors had no objection to the Internal Controls Self-Appraisal Report for 2024 of the Bank. The Bank vigorously performed its social responsibility. The Board of Supervisors had no objection to the Corporate Social Responsibility (ESG) Report for 2024 of the Bank.


益农通
乡村振兴 益农筑梦
“交银益农通”是交通银行乡村振兴金融服务品牌，涵盖信贷融资、支付结算、财富管理、智慧专区、投资银行等服务，依托全牌照优势与金融科技力量，构建覆盖“三农”的综合化金融服务体系，实现金融益农、益村、益业。
客服热线：95559 www.bankcomm.com
扫码进入小程序
益农通专区
扫码进入手机银行
益农通专区
交通银行
BANK OF COMMUNICATIONS

The Bank implemented its new development concept, vigorously promoted a financial culture with Chinese characteristics, consistently enriching the Bank's corporate culture, advocating the "harmonious coexistence of human beings and nature", and actively contributing its financial strength to realising the goal of "shared prosperity for all people". During the Reporting Period, the Bank was awarded the "2024 ESG Best Practice Case for A-Share Listed Companies" by the China Association for Public Companies, "The Best Financial Institution for Green Finance Case in 2024" by GF60, "Advanced Green Bank Evaluation Organisation" etc., and was awarded "Pilot Organisation for Carbon Emissions Information Disclosure of Financial Institutions in Pudong New Area". For further information on the fulfilment of social responsibilities by the Bank, please refer to the *Social Responsibility (ESG) Report 2024 of Bank of Communications Co., Ltd.* on the SSE Website and the website of HKEx News of Hong Kong Stock Exchange.

I. ENVIRONMENTAL PROTECTION

(I) Green Finance

The Bank increased financial support for the construction of a beautiful China, helping promote the green development and the harmonious coexistence between human and nature. Based on the "14th Five-Year Plan", the Bank placed more emphasis on the development of green finance at the strategic level, taking "green" as the foundation of the Group's business operation and development. Besides, the Bank focused on key areas and key regions, enhanced green financial support to serve the real economy, promoted the synergistic development of green finance and four business features, so as to better meet financial demands of various entities in green investment, green consumption and low-carbon transformation. The Bank highlighted the underlying green financial services in terms of product and services, policy procedures as well as risk management and control.

1. Governance structure

The Board of Directors, the Bank's highest decision-making body for green finance, was responsible for establishing and promoting the green concepts such as conservation, low-carbon, environmental protection and sustainable development throughout the Bank. The Board of Directors also reviewed and approved the green finance development strategies and important systems formulated by the senior management. The Social Responsibility (ESG) and Consumer Protection Committee and the Risk Management and Related Party Transaction Control Committee under the Board of Directors are responsible for the management of green finance and ESG risks, respectively. During the Reporting Period, the ESG and Consumer Protection Committee reviewed the report on green finance submitted by senior management, determined the development objectives of green finance, and supervised and assessed its implementation. The ESG and Consumer Protection Committee requests the Board of Directors to review and approve the first special climate information disclosure report at the group level, *the Environmental Information Disclosure Report 2023.* The Risk Management and Related Party Transaction Control Committee under the Board of Directors regularly carried out assessment of the climate risk management situation and provided guidance on the improvement of the ESG risk management system.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

In accordance with the Group's green finance development strategy, senior management and its Green Finance Development Committee formulated the Bank's policies and systems for the purpose of promoting the development of green finance and the achievement of "carbon peak and carbon neutrality", promoting the optimised development of a green finance mechanism, and appropriately submitting major green finance plans to the Board of Directors for approval. During the Reporting Period, the Bank clearly set green finance as an important direction for business expansion, with a focus on serving key sectors and major projects supported by the country, making good use of the support tools provided by the People's Bank of China and proactively building up the advantages of green finance.

2. Policy system

The Bank developed a "2+N" green finance policy system, of which the "2" refers to the Bank's green finance policy and action plan for serving the carbon peak and carbon neutrality, which makes a directional deployment of the Bank's high-quality development of green finance and high-level service to the national "dual carbon" strategic goal: the Bank clarified the specific objectives and key tasks for the three stages of 2025, 2030 and 2060, and by the end of the "14th Five-Year Plan" period, the Bank's balance of green loans should be no less than 800 billion, and is aiming for 1 trillion. "N" refers to various types of special policies on green finance, including organisational structure, business management, support tools, industry segments, product integration, approval policies, assessment and evaluation, and regional development.

During the Reporting Period, *the Bank of Communications Green Finance Action Plan* (2024-2025) was formulated to connect with top-level design documents such as the "14th Five-Year Plan" of BoCom and the action plan for serving carbon peak and carbon neutrality goals, and to further clarify the development goals and key tasks of the bank-wide green finance. *The Bank of Communications' Service Plan for Green and Low Carbon Transition Finance of Shipping Industrial Chain in Shanghai Base* was formulated to strengthen the development of transition finance for the shipping industrial chain in Shanghai base, and to support the green and smart transition and energy upgrading of Shanghai International Shipping Centre. The Bank continued to update the six special credit-granting strategy guidelines for the photovoltaic industry chain, the wind energy industry chain, the smart grid industry chain, the energy storage industry chain, the hydrogen energy industry chain, and the industrial green low-carbon transition. The Bank also took other measures such as: dynamically updating guidelines for approval in new energy fields such as wind power, photovoltaic power generation, photovoltaic manufacturing industry chain, and energy storage projects; focusing on the key areas of energy, manufacturing, urban and rural construction, transport and other "dual-carbon" areas, supporting the financial needs of traditional industries for emission reduction and carbon reduction, and continuing to promote the high-quality development of the Group's green financial business.

(1) Energy: The Bank focused on the construction of modern energy system, offered more credit resources towards the construction of new power systems dominated by clean energy under the premise of ensuring the energy supply, and supported reasonable financing needs in the field of the clean and efficient use of coal and other fossil energy sources.

(2) Manufacturing: In combination with the carbon peak plans for key high-carbon-emission industries such as iron and steel, non-ferrous metals, construction materials, petrochemicals, and chemicals, the Bank implemented differentiated credit policies with reference to selected projects and customers with standard energy consumption and energy efficiency, and adhered to the implementation of capacity replacement and the elimination of outdated production capacity arrangements; the Bank also attempted to curb the development of "high energy consuming, high polluting and low level industries" and eliminate outdated and inefficient production capacity.

(3) Urban and rural construction: The Bank advanced the concept of green development, seized opportunities such as the green upgrade of urban and rural infrastructure, the green transition of the consumer industry, rural ecological environmental protection, as well as reasonable and moderate development and enhanced support for key areas and high-quality projects.

(4) Transportation: The Bank followed up the trend of new energy and clean energy applications in the transportation area, and supported infrastructure construction projects such as power charging and switching, supporting power grids, refuelling (gas) stations, etc.

The Bank continued to pay attention to biodiversity conservation. During the Reporting Period, in respect of 13 industries with great potential impact on biodiversity, the requirements for biodiversity and ecological risk management were clearly defined in the industry credit policy; the Bank did not allowed to provide credit support to clients and projects with major environmental risks, endangering major protected wildlife and their habitats, and projects that seriously damage natural reserves, national key ecological functional areas and national parks. The *2024 Credit and Risk Policy Outline of Bank of Communications Co., Ltd.* clearly supports green low-carbon technology innovation and applications in energy, industry, transportation, urban and rural construction, the circular economy, and other fields, and also supports climate investment and financing, adaptation to climate change, circular economy, biodiversity, ecological governance, and other fields.

3. Practical effects

The Bank strengthened due diligence, review and approval in the ESG area for credit customers, fully assessed customers' ESG performance, benefits and risks, and also continuously optimised the allocation of credit resources. The Bank increased support for clean energy, power system renovation, carbon emission reduction technologies, clean and efficient utilisation of coal, etc. Furthermore, the Bank strictly controlled enterprises or projects with high pressure on environmental protection and high energy consumption, adopted various policies based on classification, and proactively improved the credit structure. The Bank also made good use of the supporting tools for carbon emissions reduction as well as coal-supporting special loan policies.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

The Bank vigorously developed transition finance by taking the following actions: Taking the lead in preparing the catalogue of transition finance for the national water transport industry and actively contributing to the formulation of standards. According to the *Bank of Communications' Service Plan for Green and Low Carbon Transition Finance of Shipping Industrial Chain in the Shanghai Base* formulated by the Bank, 16 specific measures covering the green and low carbon transition of relevant subjects in the shipping industry were proposed, and the first transition finance loan for the water transport industry in China was provided. The exchange seminars on the green and low-carbon transition and the development of financial services and the shipping industry were held, involving representatives of relevant government departments and more than 50 important customers from the shipping industry, playing a major social demonstration effect. The Bank continued to optimise credit policies in the field of the industrial green and low-carbon transition, and actively studied differentiated access standards for the steel, coal, and electricity industries. The transition finance business was launched concerning coal power, building materials, shipping, steel, ceramics, chemicals, agriculture, and other industries, many of which were the first or one of the first batch of cases in the local market. The Bank actively strengthened the innovation of transition finance services and explored the development of "carbon intensity+ESG" double linked transition loans.

The Bank maintained steady growth in green credit business and continued to advance in green bond issuance, investment and underwriting. As at the end of the Reporting Period, the balance of green loans for domestic banks[8] was 892.608 billion, representing an increase of 70.566 billion, or 8.58% over the end of the previous year; of which, the clean energy loans was 268.565 billion, representing an increase of 63.313 billion, or 30.85% over the end of the previous year, the growth rates were higher than those of various loans for the same period. During the Reporting Period, the Bank issued the first green financial bonds in the national inter-bank bond market with a scale of 5 billion, which were in line with the Common Ground Taxonomy issued by China and Europe. The balance of investments in green bonds was 27.615 billion, representing an increase of 7.538 billion, or 37.55% over the end of the previous year. As a member of the Green Bond criteria Committee, the Bank helped build the green bond criteria and underwritten 6.979 billion of green bonds and transformation bonds.

In 2024, a total of 6.141 billion of carbon-emission-reduction loans that met the requirements of PBOC were issued to 141 projects, with a weighted average loan interest rate of 3.01%, resulting in a carbon reduction amount equivalent to 1,378,400 tons of carbon dioxide. Since obtaining the carbon-emission-reduction support tools in 2021, a total of 27.122 billion of carbon-emission-reduction loans were issued to 516 projects, with a weighted average loan interest rate of 3.36%, resulting in a carbon reduction amount equivalent to 5,446,900 tons of carbon dioxide.

Adhering to the concept of green development, the Group's subsidiaries have been assisting in the green and low-carbon transformation and development of the economy through a variety of means, including green leasing, issuance of ESG-themed products, investment in green equity and investment in green bonds.

BOCOM Financial Leasing Co., Ltd. The company continued to focus on green ship types. During the Reporting Period, newly-added investments in green ship types was nearly 20 billion; as one of the member

8 From the A3327 Statements issued by PBOC.

organisations set out in the Catalogue of Transition Finance of Water Transport Industry, a sub-catalogue of the Shanghai Transition Finance Catalogue (Trial), the company actively promoted the formulation of catalogue standards and helped the green development of Shanghai International Shipping Centre. The launch of the aviation leasing business focused on new technology green models, as at the end of the Reporting Period, green models accounted for 47%, up 2 percentage points from the end of last year. The company continued to optimise the green leasing product system, iterated the green leasing exclusive "Youneng Leasing 1+N" product, increased the lease starting amount by 634 million throughout the year, and completed the industry's first financial leasing project to support the low-carbon transition of the steel industry, and the company's first financial leasing project to support the circular economy in the textile industry.

During the Reporting Period, the company issued RMB1.5 billion and USD950 million of green financial bonds in line with the Common Ground Taxonomy of China and Europe and overseas green bonds under Regulation S. The first social responsibility (ESG) report was released, which comprehensively demonstrated the main practices and achievements in the fields of economic, environmental, social and corporate governance.

BOCOM Wealth Management Co., Ltd. The Green Finance Action Plan of BOCOM Wealth Management (2024-2025) was formulated to guide more social capital flows into the green and low-carbon sectors through the issuance of ESG-themed strategic products. The company provided financial support for the green transformation of enterprises as well as green industries such as energy conservation and environmental protection, clean energy, and clean transport. During the Reporting Period, 10 new ESG-themed products were issued, with a total size of 7.632 billion. As at the end of the Reporting Period, there were 12 existing ESG-themed products, with a total size of 9.932 billion, representing an increase of 54.59% over the end of the previous year. The ESG bond and green bond labelling system was established. As at the end of the Reporting Period, the balance of the company's ESG green-related bond investment was 19.9 billion, representing an increase of 46.30% over the end of the previous year.

BOCOM Financial Asset Investment Co., Ltd. The company adheres to the concept of green finance and improves the internal organisational structure and system of green finance development. As at the end of the Reporting Period, the company has accumulatively carried out equity investment business of more than 20 billion in green finance fields such as hydropower, wind power, photovoltaic, nuclear energy equipment, new energy vehicle manufacturing, and other fields. As at the end of the Reporting Period, the balance of investment in green finance accounted for approximately 20% of the balance of normal equity investment.

BOCOM MSIG Life Insurance Co., Ltd. The company supported the development of green finance through equity investments, the allocation of green local government bonds, debt investment, and product issuance. As at the end of the Reporting Period, the balance of green financial investment was 7.935 billion, an increase of 51.26% over the end of the previous year. The insurance creditors' rights plan issued 12 green finance products, with total registered scale of 16.882 billion and total investment of 5.938 billion, increasing by 113.44% year-on-year.

BOCOM International Trust Co., Ltd. During the Reporting Period, a total of 1.465 billion was added to green bond investments.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

(II) Green Procurement

The Bank actively advocates and strives to practice green procurement, integrates the concept of green environmental protection into procurement systems and processes, and prioritises the procurement of energy-saving and environmental protection products. The "energy conservation and environmental protection" concept is treated as one of the scoring elements of the technical performance of the equipment to be purchased, so as to actively convey the idea of green environmental protection to suppliers. The Bank vigorously promotes digital procurement, comprehensively promotes the application of an e-commerce procurement platform, optimises the procurement system, propels the online launch of an electronic bidding subsystem, implements an online contract signing and stamping method, and strives to improve the quality and efficiency of green procurement. In 2024, at the Fourth Carbon Neutrality Conference co-sponsored by China Energy Conservation Association and China Quality Certification Centre, the Bank's Smart Shopping Mall Project won the Award for Technological Progress in Energy Conservation and Emissions Reduction.

(III) Green Operations

The Bank adheres to the concept of green development, takes green as the keynote of business operations and development of the whole group, actively promotes ecological priority, conservation and intensification, and green and low-carbon development, thereby improving green development governance capabilities. The Bank continuously conducts research on double carbon operations, and analyses the potential of energy conservation and carbon reduction, so as to provide data support for further low-carbon operations. The Bank advocates green offices, strengthens energy management, carries out green energy-saving building transformation, holds a "clean plate campaign" in canteens, garbage classification, water balance test, etc., so as to improve energy resource utilisation efficiency and reduce the impact of its own operations on the environment. Furthermore, the Bank proactively promotes the green and low-carbon operations of data centres and the transformation of the existing computer room by constantly tapping the energy saving potential of data centres, exploring green and energy-saving technologies, building the Pujiang industrial park as a pilot green and low-carbon demonstration park, implementing refined management of the energy consumption of equipment in the computer room, exploring the benefits of waste heat recovery from HVAC, power distribution and auxiliary facilities, performing research on multiple energy-saving optimisation measures, and carrying out daily energy-saving maintenance, thereby comprehensively improving the green level of data centres.

II. SOCIAL RESPONSIBILITY

(I) Consumer right protection service

During the Reporting Period, the Bank always adhered to the people-centred development philosophy, earnestly fulfilled its main responsibilities, built a "wide consumer protection" work pattern across the Group, integrated consumer protection work into corporate governance and corporate culture, implemented the full process in all aspects of operations and management, constantly improved the systematic mechanism of consumer protection, and continued to improve the ability and level of financial services, thereby effectively protecting the legitimate rights and interests of financial consumers.

1. Improving the consumer protection systematic mechanism, and improving the consumer protection management system.

The Bank has established and operated 15 working mechanisms such as consumer protection reviews and appropriateness management, so as to ensure that work is carried out in accordance with rules and regulations, and to promote the construction of a clear, efficient and smooth work system. During the Reporting Period, the Bank attached importance to consumers' concerns, and revised, printed and distributed 17 consumer protection system documents, including the Management Measures for Handling Customer Opinions (Complaints) of Bank of Communications and the Management Measures for Personal Customer Information Protection of Bank of Communications.

2. Fully implementing consumer protection reviews to prevent potential infringements.

In the design and development of products and services, pricing management, formulation of system and agreement, marketing and publicity, the Bank assessed and reviewed the policies, systems and business rules, etc. that may affect consumers in the entire process, channels, scenarios and links, and put forward clear review opinions. During the Reporting Period, a total of 32,900 consumer protection reviews were carried out, realising the forward movement protection reviews and effectively preventing potential infringement.

3. Conducting financial education activities by upholding fundamental principles and breaking new ground, with the purpose of improving financial consumer literacy.

A series of financial education and publicity activities were carried out around the theme of "in order to prevent risks, financial consumer protection is made for your rights and interests", strengthening risk reminders and daily financial education. The Bank focused on special groups such as the elderly, young people, new citizens, migrant workers and farmers, disabled people, foreigners, and so on. Characterised by fully employee participation, solid publicity content, wide channels of publicity, and highlighting the particularities of various counties. A total of 48,000 online and offline activities were carried out, reaching 478 million financial consumers, with good responses obtained.

4. Managing complaints by addressing both the symptoms and root causes, using diversified solutions to settle disputes.

The Bank continuously optimised the customer opinion processing process, unblocked online and offline channels for receiving customer opinions, and responded to consumer demands in a timely manner. In addition, the Bank promoted the quick handling mechanism of customer opinions, which greatly improved the efficiency of solving customer issues. The Bank further promoted traceability rectification by adhering to the problem-orientation principle. In order to practice the experience of Fengqiao in the new era and make full use of the mediation scheme to resolve disputes, the Bank currently has 220 cooperative mediation organisations and 165 part-time and full-time mediators, and a total of 7,004 successful mediations have been effectively implemented throughout the year.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

During the Reporting Period, the Bank processed 315 thousand complaints from financial consumers[9], and all the complaints were properly handled. The complaints from financial customers mainly involved businesses related to credit cards, debit cards and personal loans and were filed from areas like Shanghai, Jiangsu Province, Guangdong Province and Shandong Province.

Establishing and improving the complaint handling system. Natural language processing (NLP) technology and machine learning algorithms were leveraged to build an intelligent complaints classification model to realise the automatic processing of separation of complaints to responsible departments and relative businesses. The RPA automation capability was applied to realise the automatic capture, entry and dispatch of work orders for referral of complaints to regulatory bodies, the bank-wide work orders are automatically entered at the second level, and all dispatch flows were completed within 30 minutes. The AI large language model was used to realise the automatic auxiliary classification of complaints. AI large language models and AI small language models for NLP were integrated to help quickly and accurately locate complaint points, thus improving the quality and efficiency of complaint management.

(II) Charitable donations

The Bank actively fulfilled corporate social responsibilities, participated in the social public welfare undertakings, and performed characteristic community welfare activities in the direction of helping the disabled and students, disaster relief, caring for the elderly, cultural inheritance and other directions. During the Reporting Period, the charitable donation expenditure amounted to 58.8399 million, focusing on supporting the consolidation of poverty elimination and rural revitalisation, long-term public welfare projects, and sudden emergency donations. A total of 225 public welfare project were carried out by the Bank, and the accumulative volunteer services reached 327,556 hours.

(III) Services for inclusive small and micro enterprises

Please refer to the section of “Business Review”.

III. RURAL REVITALISATION

(I) Financial Support for Rural Revitalisation

The Bank continued to strengthen rural financial services, consolidate policy guarantees, and actively improve the availability of credit in respect to “agriculture, rural areas and farmers”. Other measures include: Increasing financial support in key areas; strengthening financial services for leading agricultural enterprises and chain enterprises in the grain and seed industries to ensure national food security; supporting the construction of agricultural and rural infrastructure and serving the integrated development of primary, secondary and tertiary industries in rural areas; increasing financial support for advantageous and characteristic industries in key counties and poverty alleviation areas.

9 The data is after eliminating repeated complaints.

Enriching the supply of agriculture-related financial products. The Bank continued to optimise the product system by creating the "Xingnong Quick Loans" standard products, and promoting planting, breeding, agricultural trade, rural tourism, and other key scenarios to ensure the financing needs of agricultural operators. The Bank also actively promoted the rural revitalisation-themed cards. As at the end of the Reporting Period, 4.4215 million rural revitalisation-themed cards were issued, with a net increase of 1.2979 million over the end of the previous year.

Improving the financial service capabilities in county areas. "BoCom Yinongtong" rural revitalisation service zone was set up in various channels, such as BoCom Mini Programme and Mobile Banking, to provide comprehensive financial services for "agriculture, rural areas and farmers". The Bank strengthened the construction of the outlets in county areas, promoted the construction of "BOCOM On-cloud" remote video services, and improved the integrated service capability of online and offline financial channels in county areas. As at the end of Reporting Period, the balance of agriculture-related loans amounted to 841.367 billion, representing a growth of 114.274 billion or 15.72% over the beginning of the year.

(II) Paired Assistance

In strict compliance with the requirements of "abstaining from shirking responsibilities, repealing policies, ceasing assistance, and neglecting regulation" after poverty alleviation, the Bank continued to expand the paired assistance to Tianzhu County in Gansu Province, Litang County in Sichuan Province (a state-level key county for rural revitalisation), and Hunyuan County in Shanxi Province. The Bank continued to step up our efforts of paired assistance as well as select, manage and take care of paired assistance cadres to create a group of "leading geese" to lead the masses out of poverty and promote rural revitalisation in a comprehensive manner.

The Bank leveraged the advantages held by the financial industry and called for the joint efforts of social forces. The Bank prevented the rural area from falling to the bottom line of poverty by continuously making efforts around the five major areas in revitalisation, so as to form a strong synergy for consolidating and expanding the results of poverty alleviation and comprehensively pushing forward the revitalisation of the countryside. The Bank innovated modes of assistance. By upholding the vision of "one county and one industry, one village and one product", the Bank developed characteristic industries that increased public wealth in county areas according to local conditions. The Bank also provided assistance to industries such as the mushroom industry chain in Tianzhu County, the bee keeping industry in Litang County, and astragalus mongholicus planting in Hunyuan County. Special consumption assistance activities such as "Spring Action" and "Golden Autumn Action" were carried out. In Hunyuan County, an equity investment fund partnership was created to help attract investment; the "smart village affairs" platform was developed to solve the problems of rural grassroots data, such as "extensive, large and complex", thereby helping the construction of a digital countryside. In Hunyuan County, a "financial service cabin" was set up to promote financial services to expand into the countryside and open up the "last mile" of financial services. In Litang County and Hunyuan County, a public trust was established to help the disabled improve their physical and living conditions and realise their self-worth.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

Throughout the year, the Bank completed various assistance tasks by investing 26 million in supporting funds, introducing supporting funds (including pro bono and bono) of 21.548 million providing 35.2944 million of consumer support, training 4,446 trainees from targeted counties, with the balance of loan amounted to 339.2747 million, successfully completing various assistance tasks.

I. Financial Services for Rural Revitalisation	*(In 100 million of RMB)*
Agriculture-related loan	8,413.67
Net increase from the beginning of the year	1,142.74
Growth rate	15.72%
II. Amount of Investment in Paired Assistance Counties	*(In 10 thousand of RMB)*
1. Investment in pro bono supporting funds	2,600
2. Introduction of pro bono supporting funds	954.8
Growth rate	3.81%
3. Number of grass-roots cadres, rural revitalisation leaders and professionals trained	4,446
Growth rate	6.64%
4. Purchase of agricultural products from paired assistance regions	1,190.57
Growth rate	6.32%
5. Sales of agricultural products from paired assistance regions	2,338.87
Growth rate	4.70%
6. Number of assisting projects or enterprises introduced	7
7. Amount of investments introduced	17,000
Growth rate	2.86%

Note: The "paired assistance" in the table refers to the assistance work conducted by the Bank in areas of Tianzhu County in Gansu Province, Hunyuan County in Shanxi Province and Litang County in Sichuan Province.

In 2025, the Bank will continue to maintain the overall stability of our rural revitalisation and paired assistance policies, as well as our teams and capabilities. The Bank will leverage the advantages of fintech to continuously increase financial support in rural revitalisation, learn and apply experience gained from the "Ten Million Project", improve the quality and effectiveness of rural revitalisation services and consolidate and expand the results of poverty alleviation. The Bank will bring out the "five priorities" of finance in rural revitalisation to display the spirit of BoCom.

I. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group was not involved in any material[10] litigation and arbitration. As at the end of the Reporting Period, the Group was involved in certain outstanding litigations/arbitrations as defendant with an amount of approximately 1.187 billion.

II. PUNISHMENT

During the Reporting Period, neither the Bank, nor any of its directors, supervisors or senior management was subject to any investigation by competent authorities, any enforcement measures by judiciary authorities, any transferring to the judiciary authorities for criminal responsibilities, any investigation or administrative penalty by the CSRC, any prohibition from access to market or disqualification, any material administrative penalty by administrative departments including environmental, safety supervision and tax departments and any other administrative departments, or any situations of being suspected of serious violations of discipline and law or job-related crimes, being detained by the discipline inspection and supervision organ, being unable to perform duties and being taken administrative supervision measures by the CSRC or disciplinary sanctions by the stock exchange and being subject to public sanctions by statutory or regulatory bodies.

III. INTEGRITY

During the Reporting Period, neither did the Group refuse to execute any court orders nor fail to settle any significant due debts involving litigation.

IV. MAJOR RELATED PARTY TRANSACTIONS

(I) Major Related Party Transactions

During the Reporting Period, the Bank entered into some significant related party transactions with related parties – Bank of Communications Financial Leasing Co., Ltd. ("Bank of Communications Financial Leasing"), Rong Kong United Finance Co., Limited ("Rong Kong United"), Bocom Leasing Management Hong Kong Company Limited ("Bocom Leasing Management") and Bocom Leasing Development Hong Kong Company Limited ("Bocom Leasing Development"), under regulatory standards of the NFRA. The 12th and 17th meeting of the 10th Board of Directors of the Bank deliberated and approved the above transactions. Before submitting to the Board of Directors for further deliberation, the Independent Non-executive Directors held special review meetings and issued written opinions on the above transactions. The six independent directors all believed that the above transactions met the requirements of the regulatory authorities on fairness and compliance of related party transactions and had fulfilled the business review and approval procedures. In accordance with *Measures for the Administration of Related Party Transactions of Banking and Insurance Institutions* (Decree [2022] No. 1 of the China Banking and Insurance Regulatory Commission, hereinafter referred to as Decree No. 1), the Bank shall disclose the transactions one by one on its website within 15 working days after the signing of the contract, and report to the regulator in the meantime. The details are as follows:

10 Material litigation and arbitration was based on "Any litigation that commercial banks involved in, each of which the amount exceeded 1% of the equity attributable to shareholders of the Bank from the audited consolidated financial statements of the previous year, shall be announced in a timely manner" from Article 19 of《Announcement on Promulgation of the Rules No. 26 on the Preparation of Information Disclosure by Companies Offering Securities to the Public – Special Rules on Information Disclosure by Commercial Banks》.

SIGNIFICANT EVENTS

(I) Basic information of related parties

① Bank of Communications Financial Leasing

Bank of Communications Financial Leasing was established in Shanghai in December 2007 with an initial registered capital of 2 billion, and after several capital increases, it now has a registered capital of 20 billion, with the registered address on Floors 28 and 29, No. 333, Lujiazui Ring Road, China (Shanghai) Pilot Free Trade Zone, and the legal representative is Xu Bin. The company is a state-owned non-bank financial institution, and the Bank has always maintained its wholly-owned controlling position in Bank of Communications Financial Leasing. The business scope of the Company includes: financial leasing business, accepting lease deposits from lessees, fixed income securities investment business, transferring and accepting financial lease assets, absorbing time deposits (for more than 3 months (inclusive)) of non-bank shareholders, interbank lending, borrowing from financial institutions, overseas borrowing, sale and disposal business of leased properties, economic consulting, setting up project companies in domestic bonded areas to carry out financial leasing business, and providing guarantees for external financing of holding subsidiaries and project companies.

② Rong Kong United Finance

Established in Hong Kong in February 2015, Rong Kong United Finance is indirectly wholly owned by Bank of Communications Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank. The registered capital is 1 Hong Kong dollar, the registered place is 18/F., 20Pedder Street Central, Hong Kong.

③ Bocom Leasing Management

Established in Hong Kong in October 2015, Bocom Leasing Management is indirectly wholly owned by Bank of Communications Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank.

④ Bocom Leasing Development

Established in Hong Kong in October 2015, Bocom Leasing Development is indirectly wholly owned by Bank of Communications Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank.

(II) Related Party Transactions

① Pursuant to the resolution of the Board of Directors, the Bank has signed six contracts with Bank of Communications Financial Leasing, as follows:

The Company signed six contracts with Bank of Communications Financial Leasing, with the contract amount equivalent to RMB85.501 billion (converted at the mid-rate of RMB exchange rate of USD1 to RMB7.1299 on August 29, 2024 in the interbank foreign exchange market). After the signing of the contracts, the cumulative transaction amounts reached the criteria for re-identification of significant related party transactions specified in Decree No. 1. The details are as follows:

The RMB interbank loan contract was signed on August 29, 2024 with a contract amount of 20 billion, which was revolving in installments with a maximum business term of no more than three years.

The foreign currency interbank loan contract was signed on August 29, 2024 with a contract amount of USD1.2 billion in currencies including US dollars, euros, Japanese yen, which was revolving in installments with a maximum business term of no more than three years.

The foreign currency interbank funding contract was signed on August 29, 2024 with a contract amount of USD4.2 billion in currencies including US dollars, euros, Japanese yen, which was revolving in installments with a maximum business term of no more than one year.

The RMB interbank funding contract was signed on August 30, 2024 with a contract amount of 10.5 billion, which was revolving in installments with a maximum business term of no more than three months.

The opening of domestic letter of credit contracts was signed on September 2, 2024 with a contract amount of 10.5 billion, which was revolving in installments with a maximum business term of no more than one year.

The opening of a banker's acceptance bill contract was signed on September 9, 2024 with a contract amount of 6 billion, which was revolving in installments with a maximum business term of no more than six months, without any security deposit.

The expiration date of the above contracts falls on February 2, 2026.

② According to the resolution of the Board of Directors, the Bank signed a loan contract with Rong Kong United Finance on April 18, 2024, with the contract amount of USD3 billion. The term of the contract is 362 days and the maximum business period is not more than 3 years. After the signing of the contracts, the cumulative transaction amounts reached the criteria for re-identification of significant related party transactions specified in Decree No. 1.

③ According to the resolution of the Board of Directors, the Bank and its overseas branches signed six loan contracts with Bocom Leasing Management on April 18, 2024, with a total agreement amount of USD3.7 billion. The term of contracts is 362 days and the maximum business period is not more than 3 years. The Bank and its overseas branches signed a loan contract with Bocom Leasing Management on December 5, 2024, with a total agreement amount of USD0.1 billion. The term of the contract is 131 days and the maximum business period is not more than 3 years. After the signing of the contracts, the cumulative transaction amounts reached the criteria for re-identification of significant related party transactions specified in Decree No. 1.

④ According to the resolution of the Board of Directors, overseas branches under the Bank signed four loan contracts with Bocom Leasing Development on April 18, 2024, with a total agreement amount of USD3.75 billion. The term of contracts is 362 days and the maximum business period is not more than 3 years. Overseas branches under the Bank signed a loan contract with Bocom Leasing Development on December 5, 2024, with a total agreement amount of USD100 million. The term of contracts is 131 days and the maximum business period is not more than 3 years. After the signing of the contracts, the cumulative transaction amounts reached the criteria for re-identification of significant related party transactions specified in Decree No. 1.

SIGNIFICANT EVENTS

The above businesses follow the market-oriented pricing principle, being not superior to the pricing for similar business conducted with non-related parties or the pricing for similar business conducted by interbank financial institutions with the above institutions.

(II) Uniform Trading Agreement

During the Reporting Period, the Bank entered into a Uniform Trading Agreement with the Bank of Communications MSIG Life Insurance Co., Ltd. ("BoCom MSIG Life Insurance"), a related party under the Administrative Measures on Related-party Transactions of Banking and Insurance Institutions, regulatory standard of the NFRA. The aforesaid transaction was approved at the 10th meeting of the 10th Session of Board of Directors of the Bank.

(I) Basic information of related parties

BoCom MSIG Life Insurance was established in August 2000 with a registered capital of 5.1 billion. The Bank holds 62.5% of shares in BoCom MSIG Life Insurance, with the remaining 37.5% being held by MS&AD INSURANCE GROUP HOLDINGS Co., Ltd. The business scope of BoCom MSIG Life Insurance includes life insurance, health insurance, accident insurance and other insurance businesses, as well as reinsurance business of the above businesses.

(II) Related Party Transactions

Pursuant to the resolution of the Board of Directors, the Bank entered into a Uniform Trading Agreement with BoCom MSIG Life Insurance on the related party transactions for services that occur continuously over a substantial period of time and require the repeated signing of transaction agreements. Transaction varieties include: the Company selling insurance products of BoCom MSIG Life Insurance as an agent, with the transaction amount being calculated according to the agency commission; the Company purchasing group insurance and calculating the transaction amount based on the premium paid. The term of the agreement is 3 years, starting from January 15, 2024; the upper limit of the total transaction amount of various services during the term of the agreement is 7.129 billion. The rate of the Bank's agency sales of insurance business under the agreement shall follow the commercial principle, and shall refer to the market pricing of interbank institutions, which shall not be superior to the Bank's quotation for customers of the same type and level; when purchasing group insurance, the Bank determines cooperative institutions and specific pricing through corresponding procurement processes. The conditions and pricing of specific business shall be determined by the business agreement separately entered into by both parties in accordance with the pricing principles set out in the Agreement.

V. MATERIAL CONTRACTS AND PERFORMANCE OF OBLIGATIONS THEREUNDER

(I) Material Trust, Sub-contract and Lease

During the Reporting Period, the Bank did not hold in trust to a material extent or entered into any material sub-contract or lease arrangement in respect of assets of other corporations, and no other corporation held in trust to a material extent or entered into any material sub-contract or lease arrangement in respect of the Bank's assets.

(II) Material Guarantees

The provision of guarantees was one of the off-balance sheet businesses carried out by the Bank in its ordinary and usual course of business. During the Reporting Period, the Bank did not provide any material guarantees that need to be disclosed except for the financial guarantee services within the business scope as approved by the regulatory authority.

VI. THE BOARD OF DIRECTORS' STATEMENT ON CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES OR ACCOUNTING METHODS

Please refer to Note 2 Summary of Significant Accounting Policies - (3) Changes in accounting policies to the Consolidated Financial Statements for major changes in accounting policies during the Reporting Period.

VII. OTHER SIGNIFICANT EVENTS

(I) During the Reporting Period, the Bank issued 56 billion of tier-2 capital bonds in the national interbank bond market, and redeemed 30 billion of tier-2 capital bonds issued in August 2019. For related details, please refer to the announcement released by the Bank on April 29, July 26 and August 16, 2024.

(II) The Bank planned to contribute 20 billion to the National Integrated Circuit Industry Investment Fund Phase III Co., Ltd., with a shareholding ratio of 5.81%, which was expected to be paid in full within 10 years from the date of the Fund's registration. For related details, please refer to the announcement released by the Bank on May 27, 2024.

(III) During the Reporting Period, the Bank issued 40 billion of undated capital bonds in the national inter-bank bond market, and redeemed 40 billion of undated capital bonds issued in September 2019. For related details, please refer to the announcement released by the Bank on August 28 and September 20, 2024.

(IV) Bank of Communications (Hong Kong) Co., Ltd., a wholly-owned subsidiary of the Bank, converted retained earnings of no more than HKD7.1 billion into share capital. After the conversion, the share capital of Bank of Communications (Hong Kong) Co., Ltd amounted to HKD45 billion. For related details, please refer to the announcement released by the Bank on October 30, 2024 and January 20, 2025.

The above announcements were published on the websites of Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk).

ORGANISATION CHART AND LIST OF INSTITUTIONS

Head Office (39 departments)

FinTech Sector

- ●FinTech Department/ Institute for Fintech Innovation and Research
- ●Data Management and Application Department
- ●Software Development Centre
  - ○Software Development Centre (Shenzhen)
  - ○Software Development Centre (Beijing)
- ●Data Centre (System Operation Centre)
- ●Test Centre

Business Operation Management Sector

- ●Corporate and Institutional Banking Department
  - ○Strategic Client Department
- ●Aging Finance Department
- ●International Banking Department/Offshore Banking Centre
  - ○International Settlement Centre
- ●Inclusive Finance Department/Rural Revitalisation Finance Department
- ●Asset Custody Department/Assets Custody Business Development Centre
- ●Investment Banking Department/Management Headquarters for the Integrated Development of Yangtze River Delta
- ●Personal Banking Department/Customer Rights Protection Department
- ●Retail Credit Department
- ●Private Banking Department
- ●Pacific Credit Card Centre
- ●Internet Finance Department
- ●Financial Institutions Department (Commercial Paper Centre)
- ●Global Markets Department (Precious Metals Centre)
  - ○Global Markets Trading Centre

General Management Sector

- ●General Administration Office
- ●Human Resources Department
- ●Corporate Culture Department
- ●The CPC Committee of the Head Office
- ●Office of Inspection Tours/Inspection Team
- ●Research and Training Centre
- ●Office of the Board of Directors
- ●Office of the Board of Supervisors
- ●Financial Management Department
  - ○Centralised Procurement Centre
- ●Equity and Investment Management Department
- ●Operations and Channel Management Department/Safety and Security Department
- ●Risk Management Department
  - ○Risk Measurement Centre
- ●Non-Performing Asset Management Department
- ●Credit Approval Department
- ●Credit Management Department
  - ○Credit Approval Centre (Beijing)
- ●Legal and Compliance Department
  - ○Anti-Money Laundering Centre
- ●Internal Audit and Supervision Bureau
  - ▲Internal Audit and Supervision Bureau (Beijing)
  - ▲Internal Audit and Supervision Bureau (Shanghai)
  - ▲Internal Audit and Supervision Bureau (Guangzhou)
  - ▲Internal Audit and Supervision Bureau (Wuhan)
  - ▲Internal Audit and Supervision Bureau (Chengdu)
  - ▲Internal Audit and Supervision Bureau (Shenyang)
  - ▲Internal Audit and Supervision Bureau (Xian)
  - ▲Internal Audit and Supervision Bureau (Nanjing)
- ●Retirement Service Department
- ●General Affairs Department
- ●Development and Research Department
  - ○Financial Research Centre
- ●Financial Service Centre/Business Operation Department
  - ▲Financial Services Centre (Wuhan)
  - ○Financial Services Centre (Nanning)
  - ○Financial Services Centre (Hefei)
  - ○Financial Services Centre (Yangzhou)

Note: 1. ● The primary unit of the Head Office ▲ The deputy departmental level institution of the primary unit
○ The departmental level institution of the primary unit

ORGANISATION CHART AND LIST OF INSTITUTIONS

Domestic Branches

38 provincial branches directly managed by the head office

- 216 branches managed by provinces
- 2,818 business outlets

Overseas Branches and Subsidiaries

- Hong Kong Branch
- Bank of Communications (Hong Kong) Limited
- New York Branch
  - San Francisco Branch
- Tokyo Branch
- Singapore Branch
- Seoul Branch
- Frankfurt Branch
- Macau Branch
- Ho Chi Minh City Branch
- Sydney Branch
  - Brisbane Branch
  - Melbourne Branch
- Taipei Branch
- London Branch
- Toronto Representative Office
- Luxembourg Branch
- Bank of Communications (Luxembourg) S.A.
- Bank of Communications (Luxembourg) S.A. Paris Branch
- Bank of Communications (Luxembourg) S.A. Rome Branch
- Banco BoCom BBM S.A.
- Prague Branch
- Johannesburg Branch
- DIFC Branch

Major Holdings Companies

- BOCOM Financial Leasing Co., Ltd.
- BOCOM Financial Asset Investment Co., Ltd.
- BOCOM Wealth Management Co., Ltd
- BOCOM Schroder Fund Management Co., Ltd.
- BOCOM International Trust Co., Ltd.
- BOCOM MSIG Life Insurance Co., Ltd.
- BOCOM International Holdings Co., Ltd.
- China BOCOM Insurance Co., Ltd.

Rural Banks

- Dayi BOCOM Xingmin Rural Bank Co., Ltd.
- Zhejiang Anji BOCOM Rural Bank Co., Ltd.
- Xinjiang Shihezi BOCOM Rural Bank Co., Ltd.
- QingDao Laoshan BOCOM Rural Bank Co., Ltd.

ORGANISATION CHART AND LIST OF INSTITUTIONS

LIST OF DOMESTIC PROVINCIAL BRANCHES AND DIRECTLY MANAGED BRANCHES OF HEAD OFFICE

Region	Name	Address
Yangtze River Delta	Shanghai Branch	No. 200 Jiangxi Middle Road, Huangpu District, Shanghai
	Jiangsu Provincial Branch	No. 218 Lushan Road, Jianye District, Nanjing City, Jiangsu Province
	Suzhou Branch	No. 28 Suhui Road, Suzhou Industrial Park, Suzhou City, Jiangsu Province
	Wuxi Branch	No. 8 Second Jinrong Street, Binhu District, Wuxi City, Jiangsu Province
	Zhejiang Provincial Branch	No. 1-39 Juyuan Road, Shangcheng District, Hangzhou City, Zhejiang Province
	Ningbo Branch	No. 455 Haiyan North Road, Yinzhou District, Ningbo City, Zhejiang Province
	Anhui Provincial Branch	Intersection of Huizhou Avenue and Jialingjiang Road, Baohe District, Hefei City, Anhui Province
Pearl River Delta	Fujian Provincial Branch	No. 116 Hudong Road, Gulou District, Fuzhou City, Fujian Province
	Xiamen Branch	No. 9-1 Hubin Middle Road, Siming District, Xiamen City, Fujian Province
	Guangdong Provincial Branch	No. 11 Xiancun Road, Tianhe District, Guangzhou City, Guangdong Province
	Shenzhen Branch	No. 3018 Shennan Middle Road, Futian District, Shenzhen City, Guangdong Province

ORGANISATION CHART AND LIST OF INSTITUTIONS

Region	Name	Address
Bohai Rim Econimic Zone	Beijing Branch	No. 22 Jinrong Street, Xicheng District, Beijing
	Tianjin Branch	No. 7 Youyi Road, Hexi District, Tianjin City
	Hebei Provincial Branch	No. 26 Ziqiang Road, Qiaoxi District, Shijiazhuang City, Hebei Province
	Shandong Provincial Branch	No. 98 Gongqingtuan Road, Shizhong District, Jinan City, Shandong Province
	Qingdao Branch	Building 4, No. 156 Shenzhen Road, Laoshan District, Qingdao, Shandong Province
Central China	Shanxi Provincial Branch	No. 5 Qingnian Road, Yingze District, Taiyuan City, Shanxi Province
	Jiangxi Provincial Branch	No. 199 Huizhan Road, Honggutan New District, Nanchang City, Jiangxi Province
	Henan Provincial Branch	No. 11 Zhenghua Road, Jinshui District, Zhengzhou City, Henan Province
	Hubei Provincial Branch	No. 847 Jianshe Avenue, Jianghan District, Wuhan City, Hubei Province
	Hunan Provincial Branch	No. 447 Wuyi Avenue, Furong District, Changsha City, Hunan Province
	Guangxi Branch	Office Building No.1, Nanning Urban Construction Group Headquarters Lot Project, No.15 Yunying Road, Liangqing District, Nanning City, Guangxi Zhuang Autonomous Region
	Hainan Provincial Branch	No. 45 Guomao Avenue, Longhua District, Haikou City, Hainan Province

ORGANISATION CHART AND LIST OF INSTITUTIONS

Region	Name	Address
Western China	Inner Mongolia Branch	No. 18 Xinhua East Street, Saihan District, Hohhot, Inner Mongolia Autonomous Region
	Chongqing Branch	No. 3 Jiangbei City West Street, Jiangbei District, Chongqing City
	Sichuan Provincial Branch	No. 211 West Yulong Street, Qingyang District, Chengdu City, Sichuan Province
	Guizhou Provincial Branch	East Third Tower, Financial City, Guanshanhu District, Guiyang City, Guizhou Province
	Yunnan Provincial Branch	No. 397 Baita Road, Panlong District, Kunming City, Yunnan Province
	Tibet Branch	101 and 102, 1st floor, south of National Road 318 and west of Financial Road, Jinxiyuan, Dunzhu Financial City, Tibet Autonomous Region
	Shaanxi Provincial Branch	No. 88 Xixin Street, Xincheng District, Xi'an City, Shaanxi Province
	Gansu Provincial Branch	No. 129 Qingyang Road, Chengguan District, Lanzhou City, Gansu Province
	Ningxia Hui Branch	No. 64 Ning'an Street, Jinfeng District, Yinchuan City, Ningxia Hui Autonomous Region
	Xinjiang Region Branch	No. 16 Dongfeng Road, Tianshan District, Urumqi, Xinjiang Uygur Autonomous Region
	Qinghai Provincial Branch	No. 67 Wusi West Road, Chengxi District, Xining City, Qinghai Province
North Eastern China	Liaoning Provincial Branch	No. 258-1 Shifu Road, Shenhe District, Shenyang City, Liaoning Province
	Dalian Branch	No. 6 Zhongshan Square, Zhongshan District, Dalian City, Liaoning Province
	Jilin Provincial Branch	No. 3535 Renmin Street, Chaoyang District, Changchun City, Jilin Province
	Heilongjiang Provincial Branch	No. 428 Youyi Road, Daoli District, Harbin City, Heilongjiang Province

Note: For the address and contact information of the business outlets of the Bank, please visit the Bank's official website (www.bankcomm.com) and click on "Branch Inquiry" for relevant information.

LIST OF OVERSEAS BANKING INSTITUTIONS

Name	Address
Hong Kong Branch/Bank of Communications (Hong Kong) Limited	Unit B B/F & G/F, Unit C G/F, 1 – 3/F, 16/F Room 01 & 18/F, Wheelock House, 20 Pedder Street, Central, Hong Kong
New York Branch	ONE EXCHANGE PLAZA 55 BROADWAY,31ST & 32ND FLOOR, NEW YORK NY 10006-3008, U.S.A.
San Francisco Branch	575 MARKET STREET, 38th FLOOR, SAN FRANCISCO, CA 94105, U.S.A.
Tokyo Branch	SANYO Group Building, 1-3-5 Nihombashi, Chuo-ku, Tokyo, Japan
Singapore Branch	50 Raffles Place #18-01 Singapore Land Tower, Singapore 048623
Seoul Branch	6th DouZone Tower. #29, Eulji-ro, Jung-Gu, Seoul, 04523, Korea
Frankfurt Branch	Neue Mainzer Strasse 75, 60311 Frankfurt am Main, Germany
Macau Branch	16th Floor, AIA Tower, No. 251A-301, Avenida Commercial De Macau
Ho Chi Minh City Branch	17th floor, Vincom Center, 72 Le Thanh Ton, Dist.1, HCMC, VN
Sydney Branch	Level 23, 60 Martin Place, Sydney NSW2000, Australia
Brisbane Branch	Level 35, 71 Eagle Street, Brisbane QLD4000, Australia
Melbourne Branch	Level 34 Rialto South Tower, 525 Collins Street, Melbourne VIC, 3000, Australia
Taipei Branch	A Wing, 29th Floor, No. 7, Section 5, Xinyi Road, Taipei (101 Tower), Taiwan
London Branch	4th Floor, 1 Bartholomew Lane, London EC2N 2AX UK
Luxemburg Branch/Bank of Communications (Luxembourg) Co., Ltd.	7 Rue de la Chapelle, L-1325 Luxembourg, Luxembourg
Bank of Communications (Luxembourg) S.A. Paris Branch	90, Avenue des Champs-Elysees, 75008, Paris, France
Bank of Communications (Luxembourg) S.A. Rome Branch	3rd floor, Piazza Barberini 52, Rome. 00187, Italy
Bank of Communications (Brazil) Co., Ltd.	Av Barão de Tefé, 34-20th, Rio de Janeiro, Brazil, 20220-460
Prague Branch	7th floor, RUSTONKA R2, Rohanske nabrezi 693/10, Prague 8, 186 00, Czech Republic
Johannesburg Branch	140 West St, Sandown, Sandton, 2196, Johannesburg, South Africa
DIFC Branch	Unit 02, Level 30, Currency Tower 2, DIFC, P.O. Box 507386, Dubai, UAE
Toronto Representative Office	Suite 2460, 22 Adelaide Street West, Toronto, ON M5H 4E3, Canada

ORGANISATION CHART AND LIST OF INSTITUTIONS

LIST OF MAJOR SUBSIDIARIES

Name	Address
Bank of Communications Schroder Fund Management Co., Ltd.	No. 8 Century Avenue, Pudong New District, Shanghai
Bank of Communications International Trust Co., Ltd.	No. 847 Jianshe Avenue, Wuhan
Bank of Communications Financial Leasing Co., Ltd.	No. 333 Lujiazui Ring Road, Pudong New District, Shanghai
BOCOM MSIG Life Insurance Company Limited	22-23/F, No. 333 Lujiazui Ring Road, Pudong New Area, Shanghai
BOCOM International Holdings Company Limited	No. 68 Des Voeux Road Central, Central, Hong Kong
China BoCom Insurance Co., Ltd.	No. 8 Cotton Tree Drive, Central, Hong Kong
BoCom Financial Asset Investment Co., Ltd.	No. 333 Lujiazui Ring Road, Pudong New District, Shanghai
BoCom Wealth Management Co., Ltd.	8-9/F, No. 333 Lujiazui Ring Road, Pudong New District, Shanghai
Dayi BoCom Xingmin Rural Bank Co., Ltd.	No. 168-170 Central Fumin Road, Dayi County, Chengdu City, Sichuan Province
Zhejiang Anji BoCom Rural Bank Co., Ltd.	Tower 1, Changshuo Square, Changshuo Street, Anji County, Huzhou City, Zhejiang Province
Xinjiang Shihezi BoCom Rural Bank Co., Ltd.	No. 127 Dongyi Road, Shihezi, Xinjiang Uygur Autonomous Region
Qingdao Laoshan BoCom Rural Bank Co., Ltd.	Room 101, Building 1, No. 156 Shenzhen Road, Laoshan District, Qingdao, Shandong

APPENDIX – INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bank of Communications Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Bank of Communications Co., Ltd. (the "Bank") and its subsidiaries (the "Group") set out on pages 167 to 306, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("the Code"), together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the 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 judgment, 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.

KEY AUDIT MATTERS *(Continued)*

Expected credit impairment allowance for loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees

Refer to the accounting policy in "Note 2(5)(a) Financial instrument – Impairment, Note 2(32)(a) Significant accounting estimates and judgements – Measurement of ECL", and "Note 19 Loans and advances to customers, Note 20 Financial investments, Note 31(1) Other liabilities – expected credit impairment allowance of credit related commitments and financial guarantees, Note 9 Credit impairment losses, Note 3(1) Credit risk" to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The Group uses an expected credit loss ("ECL") model to measure the loss allowance for loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees in accordance with International Financial Reporting Standard 9, Financial instruments. The determination of ECL allowance of loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees is subject to the application of a number of key parameters and assumptions, including the credit risk staging, probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Extensive management judgment is involved in the selection of those parameters and the application of the assumptions.	Our audit procedures to assess ECL allowance for loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees included the following: • with the assistance of KPMG's IT specialists, understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the credit approval, recording, monitoring, the credit risk staging, ECL model update and the measurement of ECL allowance for loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees. • with the assistance of KPMG's financial risk management specialists, assessing the appropriateness of the ECL model used to determine the loss allowances and the appropriateness of the key parameters and assumptions in the model, which included credit risk staging, probability of default, loss given default, exposure at default, adjustments for forward-looking information and other adjustments, and assessing the appropriateness of related key management judgment.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS *(Continued)*

Expected credit impairment allowance for loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees (continued)

Refer to the accounting policy in "Note 2(5)(a) Financial instrument – Impairment, Note 2(32)(a) Significant accounting estimates and judgements – Measurement of ECL", and "Note 19 Loans and advances to customers, Note 20 Financial investments, Note 31(1) Other liabilities – expected credit impairment allowance of credit related commitments and financial guarantees, Note 9 Credit impairment losses, Note 3(1) Credit risk" to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The determination of the ECL allowance is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The ECL allowance for corporate loans and advances, financial investments at amortised cost, credit related commitments to corporates and financial guarantees are derived from estimates including historical losses, internal and external credit grading and other factors. The ECL allowance for personal loans and advances and credit related commitments to individuals are derived from estimates whereby management takes into consideration historical overdue data, historical loss experience and other factors.	• for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral. As part of these procedures, we inquired the reasons for management's revisions to estimates and input parameters, compared with prior period and considered the consistency of judgement. • comparing the macroeconomic forward-looking information used in the model with market information to assess whether they were aligned with market and economic development. • assessing the completeness and accuracy of key data used in the ECL model. For key internal data, we compared the total balance of the loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees used by management to assess the ECL allowance with the general ledger to check the completeness of the data. We also selected samples to compare information of individual loan and advance to customers, financial investment at amortised cost, credit related commitment and financial guarantee with the underlying agreements and other related documentation. In addition, we checked the accuracy of key external data used by management by comparing them with public sources.

KEY AUDIT MATTERS *(Continued)*

Expected credit impairment allowance for loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees (continued)

Refer to the accounting policy in "Note 2(5)(a) Financial instrument – Impairment, Note 2(32)(a) Significant accounting estimates and judgements – Measurement of ECL", and "Note 19 Loans and advances to customers, Note 20 Financial investments, Note 31(1) Other liabilities – expected credit impairment allowance of credit related commitments and financial guarantees, Note 9 Credit impairment losses, Note 3(1) Credit risk" to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include the financial situation of the borrower, the guarantee type, the seniority of the claim, the recoverable amount of any collaterals, and repayment sources of the borrower. Management refers to valuation reports of collaterals issued by qualified third party valuers and considers the impact of various factors including the market price, status and use when assessing the value of collaterals. The enforceability, timing and means of realisation of the collateral also have an impact on the recoverable amount of the collateral.	• for key parameters used in the ECL model which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis. In addition, we involved KPMG's IT specialists to assess the logics and compilation of the loans and advances' overdue information on a sample basis. • evaluating the reasonableness of management's assessment on whether the credit risk of loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees has, or has not, increased significantly since initial recognition and whether the mentioned financial instruments are credit-impaired. We assessed the staging of corporate loans and advances, financial investments at amortised cost, corporate credit related commitments and financial guarantees by industry sectors and used a risk-based approach to select samples in industries which are more vulnerable to the current economic situation and samples which met specific risk criteria. We checked overdue information, made enquiries of the client managers about the borrowers' business operations, inspected borrowers' financial information and researched about borrowers' businesses, to check the credit risk of the borrower, and the reasonableness of the risk stage.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS *(Continued)*

Expected credit impairment allowance for loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees (continued)

Refer to the accounting policy in "Note 2(5)(a) Financial instrument – Impairment, Note 2(32)(a) Significant accounting estimates and judgements – Measurement of ECL", and "Note 19 Loans and advances to customers, Note 20 Financial investments, Note 31(1) Other liabilities – expected credit impairment allowance of credit related commitments and financial guarantees, Note 9 Credit impairment losses, Note 3(1) Credit risk" to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
We identified the measurement of ECL allowance for loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Group.	• evaluating the reasonableness of loss given default for credit-impaired corporate loans and advances, financial investments at amortised cost, corporate credit related commitments and financial guarantees. We selected samples to evaluate the recoverable amount by considering the financial situation of the borrower, the guarantee type, the seniority of the claim, the recoverable amount of collateral, and repayment sources of the borrower. Evaluating management's assessment based on the category, condition and use of the collateral. For valuation reports of collateral issued by qualified third party valuers, we evaluated the competence, capabilities and objectivity of the external appraiser. We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows, considered the viability of the Group's recovery plans. • selecting samples and assessing the accuracy of the Group's calculation on the ECL allowance for loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees. • assessing the reasonableness of the disclosures in the financial statements in relation to the ECL allowance for loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees against prevailing accounting standards.

KEY AUDIT MATTERS *(Continued)*

Consolidation assessment of structured entities

Refer to the accounting policy in "Note 2(4)(c) Structured entities, Note 2(32)(d) Significant accounting estimates and judgements – Consolidation of structured entities", and "Note 42 Structured entities, Note 43 Unconsolidated structured entities" to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire an ownership interest in a structured entity, through initiating, managing and/or investing in trust investment plans, asset management plans, funds and wealth management products ("WMPs"). The Group is required to consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns to determine whether the Group retain any partial interests in a structured entity or should consolidate a structured entity. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions. We identified the recognition of interests in and consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and because of the judgement exercised by management in the qualitative assessment of the terms and the nature of each entity.	Our audit procedures to assess the measurement of interests in and consolidation of structured entities included the following: • assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over measurement of interests in and consolidation of structured entities. • selecting significant structured entities of each key product type and performing the following procedures: – inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity; – inspecting the risk and reward structure of the structured entity, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgement as to the exposure, or rights, to variable returns from the Group's involvement in such an entity; – inspecting management's analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity, to assess management's judgement over the Group's ability to affect its own returns from the structured entity; – assessing management's judgement over whether the structured entity should be consolidated or not. • assessing the reasonableness of the disclosures in the financial statements in relation to the measurement of interests in and consolidation of structured entities against prevailing accounting standards.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS *(Continued)*

Valuation of financial assets measured at fair value classified as level 3

Refer to the accounting policy in "Note 2(5) Financial instrument, Note 2(32)(b) Significant accounting estimates and judgements – Fair value of financial instruments", and "Note 3(4) Fair value of financial assets and liabilities" to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
Certain financial assets held by the Group, such as convertible bonds, unlisted equities, unlisted funds, certain trusts and asset management plans, etc., whose fair value are determined based on certain unobservable inputs, were classified by the Group as level 3 in fair value measurement. Management determines the fair value of these financial assets using a variety of techniques. The valuation methods mainly include discounted cash flows and comparable company, involving various unobservable inputs such as objective company's cash flow, risk-adjusted discount rate, price to book value ratio, price to earning ratio and liquidity discounts, etc. We identified valuation of financial assets measured at fair value classified as level 3 instruments' fair value as a key audit matter because of the amount of these financial assets are significant, and because of the degree of complexity involved in the valuation techniques and significant judgement is required to be exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess the valuation of financial assets measured at fair value classified as level 3 included the following: • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the application of valuation models and front office and back office reconciliations for financial assets measured at fair value classified as level 3. • with the assistance of KPMG's financial risk management specialists and on a sample basis, obtaining an understanding of the valuation method used by management (including whether there is any change in the valuation method in this year) and assessing whether the valuation method selected is appropriate with reference to the prevailing accounting standards. Obtaining inputs independently and assessing the reasonableness of the inputs applied by management. Comparing our own valuation results with those of management. • assessing the reasonableness of the disclosures in the consolidated financial statements in relation to financial assets measured at fair value classified as level 3 against prevailing accounting standards, including fair value hierarchy information, etc.

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 that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group’s financial reporting process.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Siu Tung.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

21 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

	Note	**2024**	2023
Interest income		**451,712**	459,861
Interest expense		**(281,880)**	(295,738)
Net interest income	4	**169,832**	164,123
Fee and commission income	5	**40,918**	47,148
Fee and commission expense	6	**(4,004)**	(4,144)
Net fee and commission income		**36,914**	43,004
Net gains/(losses) arising from trading activities	7	**21,919**	23,224
Net gains/(losses) arising from financial investments		**1,949**	727
Including: Net gains on derecognition of financial assets measured at amortised cost		***452***	*40*
Net gains/(losses) on investments in associates and joint ventures		**514**	356
Other operating income	8	**29,141**	26,580
Net operating income		**260,269**	258,014
Credit impairment losses	9	**(52,567)**	(56,908)
Other assets impairment losses	10	**(1,640)**	(1,062)
Other operating expenses	11	**(102,587)**	(100,346)
Profit before tax		**103,475**	99,698
Income tax	14	**(9,246)**	(6,446)
Net profit for the year		**94,229**	93,252

CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

	Note	**2024**	2023
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of debt instruments measured at fair value through other comprehensive income			
Amount recognised in equity		***17,996***	*7,534*
Amount reclassified to profit or loss		***(1,456)***	*(664)*
Expected credit losses of debt instruments measured at fair value through other comprehensive income			
Amount recognised in equity		***(181)***	*1,089*
Amount reclassified to profit or loss		***–***	*–*
Effective portion of gains or losses on hedging instruments in cash flow hedges			
Amount recognised in equity		***946***	*(660)*
Amount reclassified to profit or loss		***(1,060)***	*50*
Translation differences for foreign operations		**976**	2,152
Others		**(7,647)**	(2,367)
Subtotal		**9,574**	7,134
Items that will not be reclassified subsequently to profit or loss:			
Actuarial revaluation on pension benefits		**(16)**	33
Changes in fair value of equity investments designated at fair value through other comprehensive income		**2,281**	988
Changes in fair value attributable to changes in the credit risk of financial liability designated at fair value through profit or loss		**(268)**	458
Others		**(168)**	(313)
Subtotal		**1,829**	1,166
Other comprehensive income, net of tax	40	**11,403**	8,300
Total comprehensive income for the year		**105,632**	101,552
Net profit attributable to:			
Shareholders of the parent company		**93,586**	92,728
Non-controlling interests		**643**	524
		94,229	93,252
Total comprehensive income attributable to:			
Shareholders of the parent company		**105,123**	100,862
Non-controlling interests		**509**	690
		105,632	101,552
Basic and diluted earnings per share for profit attributable to holders of ordinary shares of the parent company (in RMB yuan)	15	**1.16**	1.15

The accompanying notes form a part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

	Note	**As at 31 December 2024**	As at 31 December 2023
ASSETS			
Cash and balances with central banks	16	**717,354**	898,022
Due from and placements with banks and other financial institutions	17	**974,042**	859,642
Derivative financial assets	18	**100,375**	67,387
Loans and advances to customers	19	**8,351,131**	7,772,060
Financial investments at fair value through profit or loss	20	**656,152**	642,282
Financial investments at amortised cost	20	**2,581,793**	2,573,911
Financial investments at fair value through other comprehensive income	20	**1,082,144**	887,949
Investments in associates and joint ventures	22	**11,601**	8,990
Property and equipment	23	**238,949**	217,751
Deferred tax assets	24	**42,752**	40,379
Other assets	25	**144,424**	92,099
Total assets		**14,900,717**	14,060,472
LIABILITIES AND EQUITY			
LIABILITIES			
Due to and placements from banks and other financial institutions	26	**2,431,451**	2,424,537
Financial liabilities at fair value through profit or loss	27	**50,254**	56,557
Derivative financial liabilities	18	**85,473**	50,975
Deposits from customers	28	**8,800,335**	8,551,215
Certificates of deposits issued	29	**1,384,372**	1,027,461
Income tax payable		**8,056**	4,538
Debt securities issued	30	**691,248**	592,175
Deferred tax liabilities	24	**4,324**	2,407
Other liabilities	31	**289,607**	251,157
Total liabilities		**13,745,120**	12,961,022
EQUITY			
Share capital	32	**74,263**	74,263
Other equity instruments	33	**174,796**	174,790
Including: Preference shares		***44,952***	*44,952*
Perpetual bonds		***129,844***	*129,838*
Capital surplus	32	**111,420**	111,428
Other reserves	34	**435,562**	400,805
Retained earnings	34	**348,265**	326,744
Equity attributable to shareholders of the parent company		**1,144,306**	1,088,030
Equity attributable to non-controlling interests of ordinary shares		**7,706**	7,912
Equity attributable to non-controlling interests of other equity instruments		**3,585**	3,508
Non-controlling interests	36	**11,291**	11,420
Total equity		**1,155,597**	1,099,450
Total equity and liabilities		**14,900,717**	14,060,472

The consolidated financial statements were approved and authorised for issuance by the Board of Directors on 21 March 2025 and signed on its behalf by:

Ren Deqi
Chairman and Executive Director

Zhang Baojiang
Vice Chairman, Executive Director and President

The accompanying notes form a part of these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

	Equity attributable to shareholders of the parent company																	
		Other equity instruments			Other reserves											Non-controlling interests		
	Share capital Note 32	Preference Share Note 33	Perpetual bonds Note 33	Capital surplus Note 32	Statutory reserve Note 34	Discretionary surplus reserve Note 34	Statutory general reserve Note 34	Revaluation reserve and impairment for financial assets at fair value through other comprehensive income	Revaluation reserve for the changes in credit risk of the financial liabilities designated at fair value through profit or loss	Effective portion of gains or losses on hedging instruments in cash flow hedges	Translation differences for foreign operations	Actuarial changes reserve	Others	Retained earnings Notes 34,35	Attributable to the shareholders of the parent company	Attributable to ordinary shares	Attributable to other equity instruments Note 33	Total
As at 1 January 2024	74,263	44,952	129,838	111,428	97,227	140,399	159,053	1,277	301	84	3,214	(88)	(662)	326,744	1,088,030	7,912	3,508	1,099,450
Total comprehensive income	-	-	-	-	-	-	-	15,848	(268)	(109)	951	(16)	(4,869)	93,586	105,123	300	209	105,632
Capital contribution and reduction by other equity instruments holders	-	-	6	(8)	-	-	-	-	-	-	-	-	-	-	(2)	-	-	(2)
Dividends paid to ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(41,365)	(41,365)	(177)	-	(41,542)
Dividends paid to preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,832)	(1,832)	-	-	(1,832)
Interest paid to perpetual bond holders	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,632)	(5,632)	-	-	(5,632)
Interest paid to non-cumulative subordinated additional tier-1 capital securities holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(132)	(132)
Transfer to reserves	-	-	-	-	8,787	162	14,123	-	-	-	-	-	-	(23,072)	-	-	-	-
Transfer of other comprehensive income to retained earnings	-	-	-	-	-	-	-	164	-	-	-	-	-	(164)	-	-	-	-
Others	-	-	-	-	-	(16)	-	-	-	-	-	-	-	-	(16)	(329)	-	(345)
As at 31 December 2024	74,263	44,952	129,844	111,420	106,014	140,545	173,176	17,289	33	(25)	4,165	(104)	(5,531)	348,265	1,144,306	7,706	3,585	1,155,597

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the year ended 31 December 2023

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

	Equity attributable to shareholders of the parent company															Non-controlling interests		
		Other equity instruments			Other reserves													
	Share capital Note 32	Preference Share Note 33	Perpetual bonds Note 33	Capital surplus Note 32	Statutory reserve Note 34	Discretionary surplus reserve Note 34	Statutory general reserve Note 34	Revaluation reserve and impairment for financial assets at fair value through other comprehensive income	Revaluation reserve for the changes in credit risk of the financial liabilities designated at fair value through profit or loss	Effective portion of gains or losses on hedging instruments in cash flow hedges	Translation differences for foreign operations	Actuarial changes reserve	Others	Retained earnings Notes 34,35	Attributable to the shareholders of the parent company	Attributable to ordinary shares	Attributable to other equity instruments Note 33	Total
As at 31 December 2022 (Restated)	74,263	44,952	129,838	111,429	88,154	140,182	144,541	(6,664)	(157)	693	1,164	(121)	1,016	292,734	1,022,024	8,040	3,458	1,033,522
Impact of adoption of accounting policies amendments	–	–	–	–	–	–	–	191	–	–	–	–	–	127	318	190	–	508
As at 1 January 2023	74,263	44,952	129,838	111,429	88,154	140,182	144,541	(6,473)	(157)	693	1,164	(121)	1,016	292,861	1,022,342	8,230	3,458	1,034,030
Total comprehensive income	–	–	–	–	–	–	–	7,880	458	(609)	2,050	33	(1,678)	92,728	100,862	509	181	101,552
Dividends paid to ordinary shares	–	–	–	–	–	–	–	–	–	–	–	–	–	(27,700)	(27,700)	(308)	–	(28,008)
Dividends paid to preference shares	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,832)	(1,832)	–	–	(1,832)
Interest paid to perpetual bond holders	–	–	–	–	–	–	–	–	–	–	–	–	–	(5,641)	(5,641)	–	–	(5,641)
Interest paid to non-cumulative subordinated additional tier-1 capital securities holders	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(131)	(131)
Transfer to reserves	–	–	–	–	9,073	217	14,512	–	–	–	–	–	–	(23,802)	–	–	–	–
Transfer of other comprehensive income to retained earnings	–	–	–	–	–	–	–	(130)	–	–	–	–	–	130	–	–	–	–
Others	–	–	–	(1)	–	–	–	–	–	–	–	–	–	–	(1)	(519)	–	(520)
As at 31 December 2023	74,263	44,952	129,838	111,428	97,227	140,399	159,053	1,277	301	84	3,214	(88)	(662)	326,744	1,088,030	7,912	3,508	1,099,450

The accompanying notes form a part of these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

	Note	2024	2023
Cash flows from operating activities:			
Profit before tax:		**103,475**	99,698
Adjustments for:			
Provision for credit impairment losses		**52,567**	56,908
Provision for other assets impairment losses		**1,640**	1,062
Depreciation and amortisation		**19,372**	18,279
Provision for outstanding litigations		**(95)**	(14)
Net gains on the disposal of property, equipment and other assets		**(878)**	(793)
Interest income from financial investments		**(112,038)**	(111,647)
Net (gains)/losses on fair value and foreign exchange		**(934)**	(5,304)
Net (gains)/losses on investments in associates and joint ventures		**(514)**	(356)
Net (gains)/losses on financial investments		**(1,708)**	(193)
Interest expense on debt securities issued		**16,650**	16,395
Interest expense on lease liabilities		**179**	147
Operating cash flows before movements in operating assets and liabilities		**77,716**	74,182
Net decrease/(increase) in balances with central banks		**56,165**	(7,027)
Net increase in due from and placements with banks and other financial institutions		**(105,113)**	(222,855)
Net increase in loans and advances to customers		**(630,140)**	(678,863)
Net (increase)/decrease in financial assets at fair value through profit or loss		**(10,613)**	68,810
Net (increase)/decrease in other assets		**(50,728)**	8,378
Net increase in due to and placements from banks and other financial institutions		**12,172**	399,145
Net decrease in financial liabilities at fair value through profit or loss		**(3,366)**	(8,510)
Net increase in deposits from customers and certificates of deposits issued		**579,143**	487,415
Net increase in other liabilities		**26,381**	23,345
Net increase in value-added tax and other taxes payable		**1,246**	472
Income tax paid		**(10,211)**	(7,169)
Net cash flows generated from/(used in) operating activities		**(57,348)**	137,323

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

	Note	2024	2023
Cash flows from investing activities:			
Cash payment for investment in subsidiaries, associated ventures and joint ventures		**(2,169)**	–
Acquisition of non-controlling interests		**(345)**	–
Cash payments for financial investments		**(1,211,896)**	(1,203,846)
Cash received on disposal or redemption of financial investments		**1,038,694**	1,013,044
Dividends received		**757**	744
Interest received from financial investments		**113,225**	111,423
Acquisition of intangible assets and other assets		**(1,565)**	(2,450)
Cash received from the sale of intangible assets and other assets		**15**	25
Acquisition of property, equipment		**(40,610)**	(45,141)
Cash received from disposal of property, equipment		**5,805**	9,578
Net cash flows generated from/(used in) investing activities		**(98,089)**	(116,623)
Cash flows from financing activities:			
Proceeds from issue of debt securities		**204,650**	196,102
Proceeds from issue of other equity instruments		**40,000**	–
Repayment of principals of debt securities issued		**(107,244)**	(137,871)
Payment of interest on debt securities		**(16,873)**	(15,092)
Payment of repurchase of other equity instruments		**(40,000)**	–
Payment of issuance of other equity instruments		**(2)**	–
Repayment of principal and interest of lease liabilities		**(2,378)**	(2,514)
Dividends paid		**(35,309)**	(35,298)
Dividends paid to non-controlling interests		**(324)**	(439)
Net cash flows generated from/(used in) financing activities		**42,520**	4,888
Effect of exchange rate changes on cash and cash equivalents		**(594)**	1,070
Net increase in cash and cash equivalents		**(113,511)**	26,658
Cash and cash equivalents at the beginning of the year		**275,461**	248,803
Cash and cash equivalents at the end of the year	41	**161,950**	275,461
Net cash flows from operating activities include:			
Interest received		**345,927**	350,078
Interest paid		**(253,112)**	(241,668)

The accompanying notes form a part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

1 GENERAL

Bank of Communications Co., Ltd. (the "Bank") is a national state-owned joint-stock commercial bank, headquartered and registered in Shanghai, which was reorganized on 1 April 1987 upon the approval of Notice Guo Fa (1986) No. 81 issued by the State Council of the PRC and Notice Yin Fa (1987) No. 40 issued by the People's Bank of China (the "PBOC").

The principal activities of the Bank and its subsidiaries (the "Group") include corporate and personal banking services, interbank and financial market business, financial leasing, fund management, wealth management, trustees, insurance, overseas securities, debt-to-equity swap and other related financial services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(3) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(2) Basis of preparation of the financial statements

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

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2(32).

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

(3) Changes in accounting policies

(a) Standards and amendments effective in 2024 relevant to and adopted by the Group

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(3) Changes in accounting policies *(Continued)*

(a) Standards and amendments effective in 2024 relevant to and adopted by the Group (Continued)

		Notes
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	(i)
Amendments to IAS 1 (2020)	Classification of Liabilities as Current or Non-current	(ii)
Amendments to IAS 1 (2022)	Non-current Liabilities with Covenants	(ii)
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	(iii)

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(3) Changes in accounting policies *(Continued)*

(a) Standards and amendments effective in 2024 relevant to and adopted by the Group *(Continued)*

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

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

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

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

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

		Effective for annual periods beginning on or after	Notes
Amendments to IAS 21	Lack of exchangeability	1 January 2025	(i)
Amendments to IFRS 7 and IFRS 9	Classification and measurement of financial assets	1 January 2026	(ii)
Amendments to IFRS 7 and IFRS 9	Contracts referencing nature-dependent electricity	1 January 2026	(ii)
Annual improvements to IFRS Accounting Standards	Volume 11	1 January 2026	(iii)
IFRS 18	Presentation and disclosure in financial statements	1 January 2027	(iv)
IFRS 19	Subsidiaries without public accountability: Disclosures	1 January 2027	(v)
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an Investor and Its associate or joint venture	The effective date has now been deferred.	(vi)

(i) Amendments to IAS 21: Lack of exchangeability

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(3) Changes in accounting policies *(Continued)*

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

(ii) Amendments to IFRS 7 and IFRS 9: Classification and measurement of financial assets and Contracts referencing nature-dependent electricity

The amendments on May 2024 concerned the requirements of classification and measurement of financial assets. The amendments include clarification on the classification of financial assets with ESG and slimier features, new requirements on settlement of financial liabilities through electronic payment system and additional disclosure requirements regarding investment in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent feature.

The amendments on December 2024 targeted contracts referencing nature-dependent electricity. The amendments include guidance on clarifying the application of the “own-use”requirements, permitting hedge accounting if these contracts are used as hedging instruments and adding new disclosure requirements for specific power purchase agreements to enable investors to understand the effect of these contracts on a company’s financial performance and cash flows.

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

(iii) Annual improvements to IFRS Accounting Standards – Volume 11

On 18 July 2024, the IASB published the Annual Improvements to IFRS Accounting Standards Volume 11 which contains narrow amendments to IFRS Accounting Standards and accompanying guidance as part of its regular maintenance of the Standards.

The amended standards and guidance are:

– IFRS 1 First time Adoption of International Financial Reporting Standards;

– IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;

– IFRS 9 Financial Instruments;

– IFRS 10 Consolidated Financial Statements; and

– IAS 7 Statement of Cash Flows

The amendments are effective for annual periods beginning on or after 1 January 2026, with earlier application permitted.

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

(iv) IFRS 18: Presentation and Disclosure in Financial Statements

On April 2024, the IASB published its new standard IFRS 18: Presentation and Disclosure in Financial Statements. The main changes in IFRS 18 compared with the previous requirements in IAS 1 comprise a more structured income statement, disclosures on management defined performance measures and enhanced aggregation and disaggregation of information etc.

The Group has not completed its assessment of the impact on the Group’s consolidated financial statements of adopting IFRS 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(3) Changes in accounting policies *(Continued)*

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

(v) IFRS 19: Subsidiaries without public accountability: Disclosures

On 9 May 2024, the IASB issued a new IFRS Accounting Standard-IFRS 19 Subsidiaries without Public Accountability: Disclosures, which allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements.

A subsidiary may elect to apply IFRS 19 in its consolidated, separate or individual financial statements provided that, at the reporting date: it does not have public accountability; and its parent produces consolidated financial statements that are available for public use under IFRS Accounting Standards.

A subsidiary applying IFRS 19 is required to clearly state in its explicit and unreserved statement of compliance with IFRS Accounting Standards that IFRS 19 has been adopted. IFRS 19 is effective for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

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

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

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

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

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

(4) Consolidation

(a) Subsidiary undertakings

The consolidated financial statements incorporate the financial statements of the Bank and entities (including structured entities) controlled by the Bank and its subsidiaries. control is achieved when the Bank:

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are not consolidated from the date that control ceases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(4) Consolidation *(Continued)*

(a) Subsidiary undertakings *(Continued)*

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred in a business combinations is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are recognised in the consolidated income statement as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree at the non-controlling interests' proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the identifiable net assets of the acquiree in the case of a bargain purchase, the difference is recognised in profit or loss.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(b) Transactions with non-controlling interests

For acquisition of additional interests in subsidiaries from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiaries is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Loses control of a subsidiary due to the disposal of a portion of an equity investment, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive are reclassified to profit or loss and retained earning.

(c) Structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entities, for example when any voting rights relate to administrative tasks only, and key activities are directed by contractual agreement. Structured entities often have restricted activities and a narrow and well-defined objective. Examples of structured entities include investment funds, trusts, securitisation vehicles and asset backed financings. Involvement with consolidated and unconsolidated structured entities is disclosed in Notes 42 and 43.

(d) Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement through a separate entity, and have rights to the net assets of the arrangement based on legal form, contract terms, and other facts and circumstances. Joint control is the contractually agreed sharing of control over an activity, and exists only when the decisions relating to the activity require the unanimous consent of the Group and other parties sharing the control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(4) Consolidation *(Continued)*

(d) Investment in associates and joint ventures *(Continued)*

The results of an associate or a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or a joint venture recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, is recognised immediately in profit or loss.

At the end of reporting period, the Group assesses whether there is an indication of possible impairment with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested as a single asset for impairment in accordance with IAS 36 "Impairment of assets" by comparing its recoverable amount (the higher of value in use and fair value less costs of sale) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate or joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognised only to the extent of interests in the associate or joint venture that are not related to the Group.

(e) Goodwill

Goodwill represents the excess of the consideration transferred, after taking into account deferred tax impact, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets. Goodwill is not amortised. Goodwill arising from a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination. The Group performs an impairment test on goodwill at least once a year.

On disposal of the related CGU or group of CGUs, any attributable amount of goodwill net of allowances for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss for the period. Immediately after initial recognition, an expected credit loss allowance is recognised for financial assets measured at amortised cost and debt investments measured at fair value through other comprehensive income, which results in an accounting loss being recognised in profit or loss for the period when an asset is newly originated.

The method of determining fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction at the measurement date. For financial instruments with active markets, the Group uses quotations from active markets to determine their fair value, and for financial instruments where there is no active market, the Group uses valuation techniques to determine its fair value. Valuation techniques include references to prices used in recent market transactions by parties familiar with the situation and voluntary transactions, the current fair value of other financial instruments with reference to the same substantially, the discounted cash flow method and the option pricing model.

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired financial assets – assets that are credit-impaired at initial recognition – the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

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For the year ended 31 December 2024
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Financial instruments *(Continued)*

(a) Financial assets

Classification and subsequent measurement

The Group has classified its financial assets in the following measurement categories:

– Fair value through profit or loss (FVTPL);

– Fair value through other comprehensive income (FVOCI); or

– Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

– The Group's business model for managing the asset; and

– The cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured from these financial assets. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in 'Net gains arising from financial investments'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on the debt investment, which is measured at FVTPL and is not part of a hedging relationship, is recognised in profit or loss and presented as 'Net gains arising from trading activities'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

Classification and subsequent measurement (Continued)

Debt instruments (Continued)

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

When, and only when, the Group changes the business model for managing its financial assets, shall it reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective (refer to Note 2(5)(b)); that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to sell. When this election is used, fair value gains or losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as 'Net gains arising from financial investments' when the Group's right to receive payments is established.

Gains or losses on equity investments at FVTPL are recognised as 'Net gains arising from trading activities'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Financial instruments *(Continued)*

(a) Financial assets (Continued)

Classification and subsequent measurement (Continued)

Impairment

On a forward-looking basis, the Group assesses the expected credit losses ('ECL') of debt instrument assets at amortised cost and FVOCI, exposures arising from credit related commitments and financial guarantees. The Group recognises a loss allowance accordingly at each reporting date.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value, discounted at effective interest rate or the credit-adjusted effective interest rate on purchased or originated credit-impaired financial assets, 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 ECLs 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.

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the end of the reporting period (or a shorter period if the expected life of the instrument is less than 12 months).

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. ECLs on these financial assets are estimated using a provision matrix 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 balance sheet date.

Except for trade receivables and contract assets, the Group measures loss allowance at an amount equal to 12-month ECL for the following financial instruments, and at an amount equal to lifetime ECL for all other financial instruments.

– If the financial instrument is determined to have low credit risk at the balance sheet date;

– If the credit risk on a financial instrument has not increased significantly since initial recognition.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

Measurement of ECLs (Continued)

The definition of financial instruments three stages as follows:

Stage 1: Financial instruments without significant increase in credit risk since initial recognition. For these assets, expected credit losses are recognised for the following 12 months.

Stage 2: For financial instruments with significant increase in credit risk since initial recognition, expected credit losses are recognised for the remaining lifetime if there is no objective evidence of impairment.

Stage 3: For financial assets with objective evidence of impairment as at the balance sheet date, expected credit losses are recognised for the remaining lifetime.

Presentation of allowance for ECL

ECLs are remeasured at the end of each reporting period to reflect changes in the financial instruments' credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss 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 debt investments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income. The Group recognises loss allowances for loan commitments and financial guarantee contracts that are not measured at FVTPL in contingent liabilities. (See Note 31(1)).

Write-off

The book value 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.

Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

– If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.

– Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.

– Significant extension of the loan term when the borrower is not in financial difficulty.

– Significant change in the interest rate.

– Change in the currency the loan is denominated in.

– Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Financial instruments *(Continued)*

(a) Financial assets (Continued)

Modification of loans (Continued)

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Derecognition other than on a modification

The Group derecognizes the financial asset when one of the following conditions is met:

– The contractual right to receive cash flows from the financial asset is terminated;

– The financial asset has been transferred, and the Group has transferred almost all of the risks and rewards of ownership of the financial asset;

– The financial asset has been transferred, and the Group has neither transferred nor retained almost all of the risks and rewards of ownership of the financial asset, it has not retained control over the financial asset.

If the financial asset has been transferred, and the Group has neither transferred nor retained almost all of the risks and rewards of ownership of the financial asset, and has retained control over the financial asset, the Group recognizes the relevant financial asset to the extent of its continued involvement in the transferred financial asset, and recognizes the corresponding liability.

The transfer of financial assets by the Group includes the following two scenarios:

(i) The Group transfers the contractual right to receive cash flows from the financial asset to another party;

(ii) The Group retains the contractual right to receive cash flows from the financial asset, but assumes the contractual obligation to pay the received cash flows to the ultimate payee, and at the same time meets the following "pass-through" arrangements:

  – The Group is only obligated to pay the cash flows to the ultimate payee when it receives equivalent cash flows from the financial asset;

  – The transfer contract prohibits the Group from selling or pledging the financial asset, but the Group can use it as a guarantee for its obligation to pay cash flows to the ultimate payee; and

  – The Group is obligated to promptly transfer all cash flows received on behalf of the ultimate payee to the ultimate payee without significant delay.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Financial instruments *(Continued)*

(a) Financial assets (Continued)

Derecognition other than on a modification (Continued)

The Group allocates the carrying amount of the entire financial asset before transfer between the derecognized portion and the continued recognition portion, based on their respective relative fair values on the transfer date, and recognizes the difference between the following two amounts in profit or loss for the current period:

– The carrying amount of the derecognized portion on the derecognition date;

– The sum of the consideration received for the derecognized portion and the amount of the accumulated fair value changes that were originally directly recognized in other comprehensive income and correspond to the derecognized portion (determined by allocating the accumulated amount based on the relative fair values of the derecognized portion and the continued recognition portion of the financial asset).

(b) Financial liabilities

Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as liabilities measured at amortised cost, except for:

– Financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains or losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

– Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial asset did not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; when continuing involvement approach applies, see note 2(5)(a); and

– Credit related commitments and financial guarantees (refer to Note 2 (29)).

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Financial instruments *(Continued)*

(b) Financial liabilities *(Continued)*

Classification and subsequent measurement (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met:

(i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and

(ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of direct issuance expenses.

(c) Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the hybrid (combined) instrument vary in a way similar to a stand-alone derivative. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

– The economic characteristics and risks are not closely related to those of the host contract;

– A separate instrument with the same terms would meet the definition of a derivative; and

– The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the statement of profit or loss unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. For derivatives not designated or qualified as hedging instruments, including those intended to provide effective economic hedges of specific interest rate and foreign exchange risks, but do not qualify for hedge accounting, changes in the fair value of these derivatives are recognised in "Net trading gains" in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Financial instruments *(Continued)*

(c) Derivative financial instruments and hedge accounting *(Continued)*

The Group documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment of hedging effectiveness both at hedge inception and on an ongoing basis, that is, the extent to which changes in the fair value or cash flow of the hedge instrument can offset the changes in fair values or cash flows of hedged items resulting from the hedge risk.

The hedging relationship should meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument. That means the hedging instrument and hedged item have values that generally move in the opposite direction because of the same risk, which is the hedged risk;

- The effect of credit risk does not dominate the value changes that result from that economic relationship; and

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

Possible sources of ineffectiveness are as follows:

- Increase or decrease in the amounts of hedged items or hedging instruments;

- Significant changes in counterparties' credit risk.

The Group discontinues hedge accounting prospectively when the hedging instrument expires or is sold, terminated or exercised (the replacement or rollover of a hedging instrument into another hedging instrument does not constitute an expiration or termination), or the hedging relationship ceases to meet the risk management objective, or to meet other qualifying criteria for hedging accounting.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

(i) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or a component of any such item, that is attributable to a particular risk and could affect profit or loss.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit or loss, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss no later than when the hedged item ceases to be adjusted for hedging gains and losses over the period to maturity and recorded as net interest income.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Financial instruments *(Continued)*

(c) Derivative financial instruments and hedge accounting *(Continued)*

(ii) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction, and could affect profit or loss.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss.

Amounts accumulated in equity are recycled to the statement of profit or loss in the periods when the hedged item affects profit or loss. They are recorded in the income or expense lines in which the revenue or expense associated with the related hedged item is reported. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the periods when the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur (for example, the recognised hedged asset is disposed of), the cumulative gain or loss previously recognised in other comprehensive income is immediately reclassified to the statement of profit or loss.

(d) Offsetting financial assets and financial liabilities

When the Group has a currently enforceable legal right to offset recognised financial assets and financial liabilities, and intends either to settle on a net basis or to realise the financial asset and settle the financial liability at the same time, the financial assets and liabilities are offset with the net amount presented in the consolidated statement of financial position. Otherwise, financial assets and financial liabilities are presented separately. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

(6) Interest income and expense

The "Interest income" and "Interest expense" in the Group's income statement are the interest income and expense calculated by using the effective interest method on debt investment at amortised cost, debt investment at fair value through other comprehensive income and financial liabilities at amortised cost, etc.

For those purchased or originated credit-impaired financial assets, the Group calculates the interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. For those financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets, the Group calculates the interest income by applying the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

(7) Fee and commission income

Fee and commission income is recognised when the Group fulfills its performance obligation, either over time or at a point in time when a customer obtains control of the service.

For the performance obligations satisfied at a point in time, the Group recognises revenue when control is passed to the customer at a certain point in time. For the performance obligations satisfied over time, the Group recognises revenue according to the progress toward satisfaction of the obligation over the time.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(8) Dividend income

Dividends are recognised when the right to receive the dividends is established.

(9) Assets transferred under repurchase agreements

(a) Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date at a fixed or determinable price are not derecognised in the statement of financial position. The proceeds from selling such assets are presented under "due to banks and other financial institutions" in the statement of financial position. The difference between the selling price and repurchasing price is recognised as interest expense during the term of the agreement using the effective interest method.

(b) Financial assets purchased under repurchase agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the statement of financial position. The cost of purchasing such assets is presented under "due from banks and other financial institutions" in the statement of financial position. The difference between the purchasing price and reselling price is recognised as interest income during the term of the agreement using the effective interest method.

(c) Securities lending

Securities lending transactions are generally secured, with collateral taking the form of securities or cash. Securities lent to counterparties by the Group are recorded in the consolidated financial statements. Securities borrowed from counterparties by the Group are not recognised in the consolidated financial statements of the Group. Cash collateral received or advanced is recognised as a liability or an asset in the consolidated financial statements.

(10) Precious metals

Precious metals include gold, silver, and other valuable metals. Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals that are related to the Group's trading activities are initially and subsequently recognised at fair value, with changes in fair value arising from re-measurement recognised directly in profit or loss in the period in which they arise.

(11) Property and equipment

The Group's property and equipment mainly comprise buildings, construction in progress, equipment and transportation equipment.

The assets purchased or constructed are initially measured at acquisition cost.

Subsequent expenditures incurred for the property and equipment are included in the cost of the property and equipment if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Depreciation is calculated on a straight-line basis to write down the cost of such assets to their residual values over their estimated useful lives. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each financial reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(11) Property and equipment *(Continued)*

Buildings comprise primarily office premises. The estimated useful lives, depreciation rate and estimated residual value rate of buildings, equipment, transportation equipment and property improvement are as follows:

Type of assets	Estimated Useful lives	Estimated net Residual value	Annual depreciation rate
Buildings	25 – 50 years	3%	1.94% – 3.88%
Equipment	3 – 11 years	3%	8.82% – 32.33%
Transportation equipment (excluding equipments under operating leases)	4 – 8 years	3%	12.13% – 24.25%
Equipments under operating leases	4 – 30 years	5% – 10%	3.00% – 23.75%

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a property and equipment when it is ready for intended use.

Equipments under operating leases where the Group is the lessor is aircraft and vessel etc. The estimated useful lives and depreciation rate are determined considering their conditions and the estimated residual values are determined by external appraiser using historical data on an item-by-item basis.

(12) Foreclosed assets

The Group's foreclosed financial assets are initially recognised at fair value. The foreclosed non-financial assets are initially recognised at the fair value of the relinquished claims and other costs directly attributable to the asset, such as taxes, and subsequently measured at the lower of the cost of the debt paying assets and the net realizable value. When the net realizable value is lower than the cost of the debt paying assets, an impairment provision is recognised.

When a is disposed, the difference between the disposal proceeds and the carrying amount is recognised in current profit or loss.

Foreclosed non-financial assets of the Group mainly include buildings and land use rights.

(13) Land use rights

Land use rights are classified as other assets and amortised using the straight-line method over the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(14) Intangible assets

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost is amortised over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortised.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of each reporting period, and makes adjustments when necessary.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(15) Investment property

Investment property is a property held to earn rentals or for capital appreciation or both and initially measured at cost.

As there is an active property market in the location in which the Group's investment property is situated, and the Group can obtain the market price and other relevant information regarding the same or similar type of property from the property market so as to reasonably estimate the fair value of the investment property; therefore, the Group uses the fair value model for subsequent measurement of the investment property, with changes in the fair value included in profit or loss for the period in which they arise.

When an investment property is sold, transferred, retired or damaged, the Group recognises the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

(16) Impairment of assets

The Group determines the impairment of assets, other than the impairment of deferred tax assets and financial assets, with the following methods:

The Group assesses at the balance sheet date whether there is any indication that assets may be impaired. If any indication that an asset may be impaired exists, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired and it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount based on the CGU to which the asset belongs.

CGU is the smallest identifiable group of assets, and the cash inflows generated by a CGU are largely independent from other assets or groups of assets.

The recoverable amount of an asset (or CGU, group of CGUs) is the higher of its fair value less costs to sell and the present value of the expected future cash flows. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(16) Impairment of assets *(Continued)*

(a) Testing CGU with goodwill for impairment

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the combination.

A CGU or group of CGUs to which goodwill has been allocated is tested for impairment by the Group at least annually, or whenever there is an indication that the CGU or group of CGUs are impaired, by comparing the carrying amount of the CGU or group of CGUs, including the goodwill, with the recoverable amount of the CGU or group of CGUs. The recoverable amount of the CGU or group of CGUs are the estimated future cash flows, which are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or group of CGUs with allocated goodwill.

At the time of impairment testing of a CGU or group of CGUs to which goodwill has been allocated, there may be an indication of an impairment of an asset within the CGU containing the goodwill. Under such circumstances, the Group tests the asset for impairment first, and recognises any impairment loss for that asset before testing for impairment on the CGU or group of CGUs containing the goodwill. Similarly, there may be an indication of an impairment of a CGU within a group of CGUs containing the goodwill. Under such circumstances, the Group tests the CGU for impairment first, and recognises any impairment loss for that CGU, before testing for impairment the group of CGUs to which the goodwill is allocated.

(b) Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to the profit or loss.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or group of CGUs, pro rata on the basis of the carrying amount of each asset.

(c) Reversing an impairment loss

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the 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.

An impairment loss in respect of goodwill is not reversed.

(17) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(17) Leases *(Continued)*

(a) The Group as Lessee

The Group recognises the right-of-use asset on the start date of the lease term and recognises the lease liability at the present value of the remaining lease payments. The lease payments include fixed payments and payments to be made when it is reasonably determined to exercise purchase option or terminate lease option. Variable rent determined based on a certain proportion of sales is not included in the lease payments and is recognised in profit or loss when incurred.

The Group's right-of-use assets include leased properties, venues, parking lots, advertising spaces, vehicles and equipment etc. The right-of-use asset is initially measured at cost, which includes the initial measurement of the lease liability, the lease payments already paid on or before the lease start date, the initial direct costs etc., and deducts any lease incentives received. The leased asset is depreciated on a straight-line basis over its remaining useful life if the Group could reasonably determine to obtain the ownership at the expiration of the lease term; if it is unsure whether the ownership of the leased asset can be obtained at the expiration of the lease term, the right-of-use asset is depreciated over the shorter of its remaining useful life and the lease term on a straight-line basis. When the recoverable value is lower than the book value of the right-of-use asset, the Group reduces the book value to the recoverable value.

For short-term leases with a lease term shorter than 12 months and leases of asset with low value when it is new, the Group recognises relevant rental expenses on a straight-line basis in profit or loss or in the related asset costs in each lease period rather than recognising the right-of-use assets or lease liabilities.

The Group accounts for a modification to a finance lease as a separate lease if both:(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the Group remeasures the lease term and the lease liability by discounting the revised lease payments using a revised discount rate. The Group decreases the carrying amount of the right-of-use asset for lease modifications that decrease the scope or term of the lease, and recognised the gain or loss relating to the partial or full termination of the lease in profit or loss. The Group makes a corresponding adjustment to the right-of-use asset for all other lease modifications.

(b) The Group as Lessor

Operating Lease

When the Group leases out its own buildings and properties, equipment and transportation vehicles, the rental income arising from operating leases is recognised on a straight-line basis over the lease term. Variable rent gained by the Group is recognised in rental income when incurred.

Finance Lease

As lessor of the finance lease, the Group recognises the finance lease receivables for the finance lease on the commencement date of the lease period and derecognises the related assets. Finance lease receivables are recognised at the net lease investment to "Loans and advances to customers" for the initial measurement. The net lease investment is the sum of the unsecured residual value and the present value of the lease payments unreceived at the commencement date of the lease period discounted at the interest rate implicit in lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(17) Leases *(Continued)*

(b) The Group as Lessor *(Continued)*

Finance Lease (Continued)

Finance lease receivables are derecognised when the contractual rights of receiving cash from the finance lease receivables have expired or have been transferred and all substantial risks and rewards regarding the lease have been transferred.

During the lease period, the lessor applies the fixed periodic interest rate to calculate the interest income for each period. Contingent rentals are recognised in profit or loss when incurred.

(18) Cash and cash equivalents

Cash and cash equivalents are short-term and highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents include cash and assets with maturities of three months or less from the date of purchase under balances with central banks, due from banks and other financial institutions.

(19) Provisions

Provisions are recognised when the Group has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognised does not exceed the carrying amount of the provision.

(20) Income taxes

Income tax represents the sum of the tax currently payable and deferred tax.

(a) Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(b) Deferred income tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred tax is not recognised for temporary differences arising from the initial recognition of assets or liabilities in a single transaction that is not a business combination, affects neither accounting profit nor taxable profit (or deductible loss) and does not give rise to equal taxable and deductible temporary differences. Deferred tax is also not recognised for taxable temporary differences arising from the initial recognition of goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(20) Income taxes *(Continued)*

(b) Deferred income tax (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income, in which case the current and deferred tax are also recognised in other comprehensive income.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(21) Share capital

(a) Share capital

Share capital comprises ordinary shares issued.

(b) Share issue costs

External costs directly attributable to the issuance of new shares are shown in equity as a deduction from the proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(22) Preference shares and perpetual bonds

At initial recognition preference shares and perpetual bonds issued by the Group are classified as financial liabilities or equity instruments based on their contractual terms and economic substance with reference to the definition of financial liabilities and equity instruments.

Preference shares and perpetual bonds issued by the Group that should be classified as equity instruments are recognised at the actual issue price in shareholders' equity, relevant transaction costs are deducted from shareholders' equity (capital reserve), with any excess deducted from surplus reserve and retained earnings sequentially. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the preference shares and perpetual bonds are redeemed according to the contractual terms, the redemption amount is recognised as a deduction from equity.

(23) Dividend distribution

(a) Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability in the period in which they are declared and approved by the Bank's shareholders.

(b) Dividends on preference shares

Preference share dividend distribution is recognised as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the Board of Directors of the Bank.

(c) Distribution on perpetual bonds

Perpetual bond interest distribution is recognised as a liability in the Group's and the Bank's financial statements in the period in which the interest distribution approved by the Board of Directors of the Bank.

(24) Acceptances

Acceptances comprise the Group's commitments on payment for bills that are issued to customers. Acceptances are accounted for as credit related commitments and financial guarantees and are disclosed as contingent liabilities and commitments.

(25) Staff costs and benefits

(a) Staff costs

Staff costs include salaries, bonuses, allowance and subsidies, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds, labor union fees as well as staff education expenses and housing allowance. During the reporting period in which employees have rendered services, the Group recognises the staff costs payable as a liability with a corresponding charge to profit or loss or the cost of assets where appropriate.

The Group participates in the employee social security systems established by the government, including medical insurance, housing funds and other social securities, in accordance with relevant requirements. Related expenses are recognised in profit or loss when incurred.

(b) Post-employment benefits

The Group divides post-employment benefit plans into defined contribution plans and defined benefit 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. Defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, post-employment benefits for the employees of the Group mainly include payment to basic retirement insurance, unemployment insurance, annuity plan and supplementary retirement benefits.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(25) Staff costs and benefits *(Continued)*

(b) Post-employment benefits *(Continued)*

Basic retirement insurance

Employees of the Group have joined basic retirement insurance arranged by local ministry of labour and social security. The Group makes monthly contributions to the retirement insurance according to the base and proportion set by local government. When employees retire, local ministry of labour and social security is responsible for the payment of the basic pension to the retired employees. Such basic retirement insurance is a defined contribution plan. During the reporting period in which employees have rendered services, the Group recognises the amounts payable as a liability with a corresponding charge to profit or loss or the cost of assets where appropriate.

Annuity plan

The Group contributes a certain portion of employees' gross salaries to the annuity plan. Such annuity plan is a defined benefit plan. Related expenses are recognised in profit or loss when incurred.

Supplementary retirement benefits

The Group's supplementary retirement benefits are defined benefit plans. The Group's obligations for supplementary retirement benefit are recognized as related liabilities based on actuarial techniques and recognises all actuarial gains or losses in other comprehensive income. Such actuarial gains or losses will not be reversed to profit or loss subsequently. Past service costs are recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability and recognised in profit or loss when incurred.

(c) Early retirement expenses

The Group pays the welfare benefits for employees, who have not yet reached the statutory retirement age limit and are approved by the Group to voluntarily retire from their employment, from the early retirement date to the statutory retirement age limit. These welfare benefits are recognised in profit or loss based on the discounted cash flow calculation over the implementation period. The Group reviews present value of the welfare benefits on each reporting date, with any changes recognised in profit or loss.

(26) Foreign currency translation

Renminbi ("RMB") is the currency of the primary economic environment in which the Bank and the Group's domestic subsidiaries operate. Therefore, the Bank and the Group's domestic subsidiaries choose RMB as their functional currency. The Bank and the Group's foreign subsidiaries choose their respective functional currencies on the basis of the primary economic environment in which they operate. The Group adopts RMB to prepare its consolidated financial statements.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(26) Foreign currency translation *(Continued)*

At the reporting date, foreign currency monetary items are translated into functional currency using the spot exchange rates at the reporting date. Exchange differences arising from the differences between the spot exchange rates prevailing at the reporting date and those on initial recognition or at the previous reporting date are recognised in profit or loss for the period, except that (i) exchange differences related to hedging instruments for the purpose of hedging against foreign exchange risks are accounted for using hedge accounting; (ii) exchange differences arising from non-monetary items at fair value through other comprehensive income (such as shares) denominated in foreign currencies and changes in the carrying amounts (other than the amortised cost) of monetary items at fair value through other comprehensive income are recognised as other comprehensive income; and (iii) exchange differences arising on a foreign currency monetary item that forms part of the Bank's net investment in a foreign operation.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the spot exchange rates at the date of the transactions or a rate that approximates the spot exchange rates of the date of the transaction. Exchange differences arising, if any, are recognised in other comprehensive income.

On disposal of the Group's entire interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain interest in it or other reasons, the Group transfers the accumulated exchange differences arising on translation of financial statements of this foreign operation and foreign currency monetary items that form part of the net investment in such foreign operation attributable to the owners' equity of the Group and presented under shareholder's equity in the statement of financial position, to profit or loss in the period in which the disposal occurs.

In case of a disposal or other reason that does not result in the Group losing control over a foreign operation, the proportionate share of accumulated exchange differences arising on translation of financial statements are re-attributed to non-controlling interests and are not recognised in profit and loss. For partial disposals of equity interests in foreign operations which are associates and joint ventures, the proportionate share of the accumulated exchange differences arising on translation of financial statements of foreign operations is reclassified to profit or loss.

(27) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(28) Insurance contracts

(a) Level of aggregation

Insurance contracts and investment contracts with DPF are aggregated into groups for measuring purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e. by year of issue) and each annual cohorts into three groups:

(i) Any contracts that onerous on initial recognition;

(ii) Any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and

(iii) Any remaining contracts in the annual cohort.

When a contract is recognized, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group in which future contracts may be added.

(b) Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the Group.

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and investment services).

For investment contracts with DPF, the cash flows are within the contract boundary if they result from a substantive obligation of the Group to deliver cash at a present or future date.

(c) Measurement – Insurance contracts and investment contracts with DPF

On initial recognition, the Group measures a group of contracts as the total of (a) fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM. The fulfilment cash flows of a group of contracts do not reflect the Group's non-performance risk.

Subsequently, the carrying amount of a group of contracts at each reporting date is the sum of the liability of remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

(d) Insurance acquisition cash flows

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the Group belongs. Insurance acquisition cash flows are allocated to groups of contracts using systematic and rational methods based on the total premiums of each group.

Insurance acquisition cash flows that arise before the recognition of the related contracts are recognized as separate assets and tested for recoverability, whereas other insurance acquisition cash flows are included in the estimate of the present value of future cash flows as part of the measurement of the related contracts.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(29) Credit related commitments and financial guarantees

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of guarantee fees, and the best estimate of the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated statement of profit and loss.

The impairment allowance of loan commitments provided by the Group is measured by ECL. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For credit related commitments and financial guarantees, the loss allowance is recognised as an provision. However, for contracts that include both a loan and an undrawn commitment and the Group can not separately identify the ECL on the undrawn commitment component from those on the loan component, the ECL on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined ECL exceed the gross carrying amount of the loan, the ECL are recognised as a provision.

(30) Fiduciary activities

In activities where the Group acts in a fiduciary capacity such as trustee, custodian or agent, the assets and income arising from the transaction together with the related undertakings to return the assets to customers are excluded from the Group's consolidated financial statements.

The Group conducts entrusted lending for the third-party lenders. The Group grants loans to borrowers, as trustee, according to the instruction of the third-party lenders who fund these loans. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the risks and rewards of the entrusted loans and does not provide funding for the corresponding entrusted funds, the entrusted loans are not recognised as assets and liabilities of the Group.

(31) Segment reporting

The Group determines its operating segments based on its internal organizational structure, management requirements, and internal reporting system. The Group determines its reportable segments based on operating segments, taking into account factors such as the principle of materiality, similar economic characteristics, and geographical areas. The preparation of the Group's segment information adopts accounting policies consistent with those used in the preparation of the Group's financial statements.

(32) Significant accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and of the Hong Kong Companies Ordinance require the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) Measurement of ECL

The measurement of the expected credit loss allowance for financial assets measured at amortised cost, debt investment measured at fair value through other comprehensive income and credit related commitments and financial guarantees, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Note 3(1) specifies the parameters, assumptions and estimation techniques used in the measurement of expected credit loss and also discloses the sensitivity of expected credit losses to changes in these factors.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(32) Significant accounting estimates and judgements *(Continued)*

(a) Measurement of ECL (Continued)

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

– Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;

– Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;

– Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings;

– Management overlay adjustments due to significant uncertain factors not covered in the models; and

– The estimated future cash flows for loans and advances to customers and financial investments at amortised cost for which DCF model was used to calculate ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 3(1).

(b) Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. These valuation techniques include the use of recent arm's length transactions, observable prices for similar instruments, discounted cash flow analysis using risk-adjusted interest rates, and commonly used market pricing models. To the extent practical, models use observable data such as interest rate yield curves, foreign currency rates and implied option volatilities, however areas such as credit risk (both own and counterparty's), volatilities and correlations require management to make estimates. Where observable inputs are not available, they are estimated using best available information of assumptions that are used by market participants in pricing the relevant asset or liability. Changes in assumptions could affect reported fair value of financial instruments.

The Group assesses assumptions and estimates used in valuation techniques including review of valuation model assumptions and characteristics, changes to model assumptions, the quality of market data, whether markets are active or inactive, other fair value adjustments not specifically captured by models and consistency of application of techniques between reporting periods as part of its normal review and approval processes. Valuation techniques are validated and periodically reviewed and, where appropriate, have been updated to reflect market conditions at the financial reporting date.

(c) Income taxes

The Group is subject to income tax various jurisdictions; principally, in Chinese Mainland and Hong Kong Special Administrative Region of the PRC. There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. The Group has made estimates for application of tax legislation and items of uncertainty taking into account existing tax legislation and past practice. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(32) Significant accounting estimates and judgements *(Continued)*

(d) Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgement on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned as the asset manager, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

(e) Derecognition of financial assets

In judging whether the transaction in which a loan transfer through packaging and asset securitisation is consistent with the termination confirmation of a financial asset, the Group needs to assess whether the Group meets the criteria for the transfer of financial assets and whether almost all risks and rewards in the ownership of the loan are transferred. If there is neither a transfer nor a retention of almost all the risks and rewards on the ownership of the transferred loan, the Group will further assess whether control over the transferred loan has been retained. In assessing and judging, the Group has taken into account a wide range of factors, such as whether trading arrangements are accompanied by repurchase clauses. The Group sets situational assumptions and uses the future cash flow discount model for risk and compensation transfer testing. The Group derecognised the loan only if the loan has been transferred and almost all risks and benefits in ownership have been transferred to another subject. If the Group retains almost all the risks and rewards associated with the ownership of the transferred loan, it shall continue to confirm the loan and at the same time recognise the proceeds received as a financial liability. If the Group has neither transferred nor retained almost all of the risks and rewards in the ownership of the loan and has not waived its control over the loan, the financial assets concerned are recognised to the extent that the loan continues to be involved and the relevant liability is recognised accordingly.

(f) Impairment of non-financial assets

Non-financial assets are periodically reviewed for impairment by the Group and where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the present value of the asset's expected future cash flow.

Fair value is usually based on market prices, and the management obtains it from professional appraisal agencies. Disposal costs include legal fees and taxes related to the asset disposal. When estimating the present value of the expected future cash flow of fixed assets leased out by the subsidiary, the management takes the rental amount agreed in the lease contract and the value of the assets at the end of the lease term as the basis for estimating future cash flows, and determines an appropriate discount rate for the calculation of the present value of future cash flows in various scenarios.

3 FINANCIAL RISK MANAGEMENT

Overview

The Group's operating activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of a certain degree of risks or a portfolio of risks. The Group's aim is to achieve an appropriate balance between risks and returns and minimise potential adverse effects on the Group's financial performance. The main types of financial risks are credit risk, liquidity risk, market risk, operational risk, etc.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, monitor the risks and to control the risk limits through reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets and products and the latest best practice.

Risk management framework

The Board of Directors sets out risk management strategies, overall risk preference and risk tolerance level. The senior management establishes risk management policies and procedures according to the strategies set by the Board of Directors. The Risk Management Department at Head Office serves as the chief department for the Group's risk management and leads the overall risk management duties, of which the crucial ones would be further designated to specific leading departments. The risk management division in each operation department at Head Office, in each domestic and overseas branch and in each subsidiary undertakes specific risk management function. Internal Audit Department is responsible for independent review of risk management and control environment.

(1) Credit risk

Credit risk is the risk of loss that a borrower or counterparty fails to or is unwilling to meet its obligations. Credit risk arises principally from loans and advances to customers, financial investments, derivative instruments and due from and placements with banks and other financial institutions. There is also credit risk in off-balance sheet items such as loan commitments, financial guarantees, acceptances and letters of credit. Credit risk is a major risk to which the Group is exposed. Therefore, the Group manages and controls the overall credit risk, integrated into the comprehensive risk management, in a prudent manner, and reports regularly to the Senior Management and the Board of Directors of the Group.

(a) Credit risk management

The Group's credit risk management is assumed by major functions such as Corporate and Institutional Banking Department, Inclusive Finance Department/Rural Revitalization Finance Department, Retail Credit Department, Pacific Credit Card Center, International Banking Department/Offshore Banking Center, Credit Management Department, Credit Approval Department, Risk Management Department, Non-Performing Asset Management Department, Financial institution Department (Commercial Papre Center)/Asset Management Center and Global Markets Department (Precious Metals Centre). They are responsible for the standardised management of corporate and retail credit businesses in terms of guidance on credit investment, credit investigation and report, credit approval, loan granting, post-loan management and non-performing loan management.

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3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(a) Credit risk management *(Continued)*

(i) Loans and advances to customers

As for corporate loans, the Group's relationship managers are responsible for receiving application files submitted by the applicants, conducting pre-loan investigation, assessing the credit risk, and raising the proposed rating. The Group adopts the hierarchical approval system at the branch and Head Office level based on the credit approval authority. Credit line is determined by taking into account the credit record, financial position, collaterals and guarantees of the applicant, overall credit risk of the credit portfolio, macroeconomic regulation and control policies and relevant laws and regulations. The Group keeps a close eye on the economic and financial trend and credit risk profile in the industry, provides more guidance on credit investment, formulate guidance for different industries, strengthens daily risk pre-warning, monitoring and specific risk investigation, identify customers under major risks and potential risk points early, enhances the refinement of post-loan management and centers on customer credit risk management to carry out post-loan management. The independent loan granting centre shall review the compliance, completeness and effectiveness of relevant credit files when loan granting. The Group adopts a series of tools and approaches, such as risk filtering, risk investigation and risk warning, in daily risk monitoring of corporate loans. The Group manages non-performing loans mainly through (1) collection; (2) restructuring; (3) disposal of collaterals or recourse to the guarantors; (4) litigation or arbitration; (5) disposal.

For retail credit assets, the Group manages the overall risk profile of retail credit business through on-site review and adoption of reporting system on material matters, strengthens daily risk monitoring and pre-warning through optimising management system, standardises operation process of retail credit business through formulating business management system and combining relevant system function control, identifies and reveals material potential risks on a timely manner through strengthening risk monitoring and early-warning, and understands and forecasts the quality trends so as to adopt targeted risk control measures in advance by using stress testing and quality migration analysis. In addition, the Group continues to carry out fast response mechanism to address emergencies properly and maintains a list to manage those key risk projects through risk monitoring, guidance, collection and mitigation.

The Group adopts categorised management for retail credit assets on the basis of overdue ageing and guarantee type. With regard to retail credit customers with overdue loans, different approaches are adopted to collect such loans based on their overdue days.

Credit Card Centre of the Group is in charge of the operation and management of credit card business. Credit Card Centre of the Group adopts various supervisory and preventive measures. It reinforces data cross-validation to enhance risk prevention in the approval process, reduces risk exposure to high risk customers through customer classification and enters into the intervention process earlier than scheduled, effectively improves collection result through reasonable allocation of available resources, and optimises data analytic system to further enhance the management of credit card business.

(ii) Treasury business

For treasury business (including debt investments), the Group chooses banks and other financial institutions prudently and balances the credit risk and return rate of investments. By making reference to internal and external credit rating information, the Group approves credits of different levels and uses an appropriate credit limit management system to review and adjust credit lines, aiming to manage the credit risk exposed to the treasury business.

For debt securities, internal and external ratings (such as Standard and Poor's) are used by the Group when available for managing the credit risk exposed to debt securities and bills. The bond issuers involved with the Group are subject to the credit granting review and approval of the Head Office and branch based on the credit approval authority and credit limits are placed on such issuers.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(a) Credit risk management (Continued)

(ii) Treasury business (Continued)

Debt investments other than debt securities include investments in fund trust schemes, asset management plans and wealth management products set up by banking financial institutions. The Group implements a rating system for accepting trust companies, securities companies and fund companies, sets credit limits for repurchase parties of trust beneficiary right and ultimate borrowers of targeted asset management plans, and carries out follow-up risk management on a regular basis.

As for derivative instruments, the Group maintains strict limits on net open derivative investment positions (i.e., the difference between long and short contracts), by both amount and maturity. At any time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e., assets where their fair value is positive), which, in relation to derivative instruments, is only a fraction of the contract's notional amount used to express the amount outstanding. The management has set limits of these contracts according to counterparty, and regularly monitor and control the actual credit risk when the Group concludes foreign exchange and interest rate contracts with other financial institutions and clients.

The Group manages the credit quality of due from and placements with banks and other financial institutions, and balances arising from transactions for precious metals, by considering the size, financial position, the internal and external credit rating of the banks and other financial institutions. The Head Office monitors and reviews the credit risk of due from and placements with banks and other financial institutions by counterparties regularly. Limits are placed on different counterparties.

(iii) Credit-related commitments

Credit risk exposures to financial guarantees are the same as that of loans. However, commercial letters of credit are usually pledged by the relevant shipped goods, and therefore are subject to lower risk compared with direct loans. Credit-related commitments are included in the management of overall credit line granted to the applicant. For customers with transactions beyond the credit limit or infrequent transactions, the applicant shall be requested to provide relevant margin deposits in order to reduce credit risk exposures.

(iv) Credit risk quality

In accordance with the risk classification methods and procedures specified in the Measures for Risk Classification of Financial Assets of Commercial Banks (Order No. 1 [2023] of the China Banking and Insurance Regulatory Commission and People's Bank of China), the Group conducts classified management of financial assets. Financial assets are classified by their level of risk into the five categories of Normal, Special-mention, Substandard, Doubtful, and Loss, with the latter three collectively referred to as non-performing assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(a) Credit risk management (Continued)

(iv) Credit risk quality (Continued)

The core of the five categories are defined as follows:

Normal:	The debtor is capable of meeting its contractual obligations and there is no objective evidence indicating that the principal, interests, and income cannot be paid in full and on time.
Special-mention:	The debtor is currently capable of paying the principal, interests, and income notwithstanding a number of factors that might adversely affect its capacity to meet its contractual obligations.
Substandard:	The debtor is incapable of paying the principal, interests, or income in full or the financial assets have undergone credit impairment.
Doubtful:	The debtor is incapable of paying the principal, interests, or income in full and the financial assets have undergone significant credit impairment.
Loss:	None or only a minimum fraction of the financial assets can be recovered after exhausting all available options.

(b) Expected credit loss (“ECL”)

The Group measures the ECL of financial instruments at amortised cost or debt investments at FVOCI. The Group divides them into 3 stages by assessing whether there has been a significant increase in credit risk since initial recognition to recognise ECL.

The Group measures the ECL of a financial instrument in a way that reflects:

– an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

– the time value of money;

– reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Stage classification

The Group divides them into 3 stages. Stage 1 is “financial assets without significant increase in credit risk since initial recognition”, at which the Group only needs to measure ECL in the next 12 months. Stage 2 is “financial assets with significant increase in credit risk” and stage 3 is “credit-impaired financial assets”, at both of which the Group needs to measure lifetime ECL.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(b) Expected credit loss ("ECL") *(Continued)*

Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information, including forward-looking information. In particular, the following information is taken into account:

– Principal or interest of the instrument is more than 30 days past due;

– Credit rating of obligor changes significantly. Credit rating is based on both internal and external rating results, and the criteria are as follow:

(i) The changed internal and external ratings are worse than the Group's credit access standards;

(ii) The non-retail assets' internal ratings are downgraded by 3 ranks or above upon initial recognition;

(iii) Significant adverse issues have negative impacts on obligator's repayment ability;

(iv) Other circumstances of significant increase in credit risk. For example, appearance of other risk alarm indicators which imply growing potential risk, and could cause losses of financial assets to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

Definition of credit-impaired and default

The criteria adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives for relevant financial instrument, in addition to consideration of quantitative and qualitative indicators. In general, the Group considers a financial instrument to be credit-impaired or otherwise in default when one or more of the following criteria have been met:

– Principal or interest of the asset is more than 90 days past due;

– The issuer or obligor is in significant financial difficulty, or has already become insolvent;

– It is becoming probable that the obligor will enter bankruptcy;

– An active market for that financial asset has disappeared because of financial difficulties of issuers;

– Other objective evidence indicating impairment of the financial asset.

The financial assets are moveable between stages. For instance, financial instruments originally classified at stage 1 should be downgraded to stage 2 if events occur such as a significant increase in credit risk. Financial instruments at stage 2 could be upgraded to stage 1 if credit risk decreases and the criteria for the determination of "a significant increase in credit risk" are no longer met.

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3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(b) Expected credit loss ("ECL") (Continued)

Description of parameters, assumptions and estimation techniques

The Group recognises a loss allowance to different financial instruments at an amount equal to 12-month or lifetime expected credit loss based on whether there has been a significant increase in credit risk and whether the financial instrument is credit-impaired. ECL is the result of discounted product of the weighted average of "probability of default (PD)", "loss given default (LGD)", "exposure at default (EAD)" under the three scenarios, which are defined as follows:

Probability of default (PD) is the probability of default occurring of a client and its assets in a given period of time in the future.

Exposure at default (EAD) represents the total amount of on-balance sheet and off-balance sheet exposure at the time of default by debtor, reflecting the total amount of possible losses likely to be incurred. In general, this includes the utilised credit limit, interest receivable, the anticipated usage of unused credit facilities as well as the related expenses to be incurred.

Loss given default (LGD) represents the percentage of amount of loss to be incurred in the event of default to the total risk exposure. It typically varies by nature of debtor, type and seniority of claim and the availability of collaterals or other credit risk mitigation.

Definition of default has been consistently applied to model establishment of probability of default (PD), exposure at default (EAD), loss given default (LGD) in ECL calculation throughout the Group.

Estimation of ECL: the impairment models

The impairment models adopt a top down approach. Through grouping, the models cover the risk exposures of financial institutions, corporates and retailers. The Group has established a macro-economic forecast model driven by the year-on-year Gross Domestic Product (GDP) growth rate to forecast values of macro-economic indicators in multiple categories, including national accounts, price index, foreign trades, fixed asset investments, currency and interest rates, under three scenarios, namely Basic Scenario, Optimistic Scenario and Pessimistic Scenario. The forecasts, after evaluation and confirmation by economic experts and senior management of the Bank, are used in asset impairment model. The macro scenario settings and the rationality of the weightings are reviewed and adjusted semiannually, based on changes in the internal and external economic environment.

As at 31 December 2024, The Group forecasts the 2025 year-on-year growth rate of GDP to be 5% in the Basic Scenario. The Group fully considered the macroeconomic forecast for 2025 when evaluating the forecast information used in the impairment models.

The Group determined the weightings of Basic Scenario, Optimistic Scenario and Pessimistic Scenario with macro data analysis and expert's judgement and maintain relative stability.

Where impairment models could not be established due to lack of data support, the Group endeavoured to select appropriate methods in order to make prospective estimation. The Group made prospective adjustments to impairment calculation of overseas branches regularly based on macro-forecast data from authoritative institutions (such as IMF and the World Bank). For asset portfolios not covered by impairment models, expected loss rate was set by referring to that of similar asset portfolios with impairment models available. When the management believed that the forecast model could not fully reflect recent credit or economic events, management overlay adjustments could be used to supplement ECL allowances.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(b) Expected credit loss ("ECL") *(Continued)*

Grouping of instruments with similar credit risk characteristics

To calculate the relevance between ECL allowance and macro-economic indicators, a grouping of exposure is performed for assets with similar credit risk characteristics. In performing this grouping, the Group has considered the product type, customer type, customer industry, customer scale and other information to ensure the data reliability for statistical purposes. Where sufficient information is not available internally, the Group has leveraged supplementary data from both internal and external environments to help establish impairment model. Non-retail assets of the Group are mainly grouped according to industries, while retail assets are mainly grouped based on product types and so on.

Sensitivity analysis

The Group measures sensitivity analysis on the macro-economic indicators used in prospective estimation. As at 31 December 2024, if the optimistic/pessimistic scenario weighting increases or decreases by 10%, and the prediction of economic indicators changed correspondingly, the change of the impairment allowance does not exceed 5%.

(c) Maximum exposure to credit risk

(i) financial instruments included in impairment assessment

The Group adopts credit rating methods to monitor the credit risk status of its debt instrument portfolio. The Group classified the credit risk levels of financial assets measured by ECL into "Low" (credit risk in good condition), "Medium" (increased credit risk), and "High" (credit risk in severe condition), based on the quality of assets. The credit risk level is used for the purpose of the group's internal credit risk management. "Low" refers to assets with good credit quality. There is no sufficient reason to doubt that the assets are not expected to fulfill its contractual obligation to repay or if there is any other behaviors breaching the debt contracts that would significantly impact the repayment of debt according to contract terms. "Medium" refers to assets facing obvious negative factors impacting its repayment capacity, but not yet have non-repayment behaviors. "High" refers to non-repayment according to the debt contract terms, or other behaviors breaching the debt contracts or having significant impact on the repayment of debt according to contract terms.

The following table is the summary of the group's credit risk exposure of the main financial instruments included in the ECL assessment scope. The maximum exposure to credit risk represents the worst credit risk exposure at the end of each reporting period, without taking account of any collateral held or other credit enhancements. The credit risk exposure to the Group at the end of each reporting period primarily arises from credit and treasury operations. For on balance sheet assets, the maximum credit risk exposure refers to the book value of financial assets after deducting loss provisions. In addition, off balance sheet items such as loan commitment, credit card commitment, Banker's acceptance, letter of guarantee, guarantee and letter of credit also include credit risk. And the maximum credit risk exposure of these off balance sheet items is the balance after the provision of estimated liabilities. Its credit risk exposure is mainly distributed in stage I, and its credit risk rating is "low".

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3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(c) Maximum exposure to credit risk (Continued)

(i) financial instruments included in impairment assessment (Continued)

As at 31 December 2024	Low risk	Medium risk	High risk	Domestic branches total	Overseas and subsidiaries	Group total	Allowance for Impairment losses	Maximum exposure to credit risk
On-balance sheet item								
Cash and balances with central banks								
(Stage 1)	677,272	–	–	677,272	26,495	703,767	–	703,767
Loans and advances to customers-								
Corporate (Excluding accrued interest)								
at amortised cost	4,881,345	82,045	63,097	5,026,487	460,839	5,487,326	(156,564)	5,330,762
Stage 1	4,802,721	–	–	4,802,721	378,121	5,180,842	(72,613)	5,108,229
Stage 2	78,624	82,045	–	160,669	63,994	224,663	(34,892)	189,771
Stage 3	–	–	63,097	63,097	18,724	81,821	(49,059)	32,762
at FVOCI	312,290	1,007	13	313,310	2,063	315,373	–	315,373
Stage 1	306,504	–	–	306,504	2,063	308,567	–	308,567
Stage 2	5,786	1,007	–	6,793	–	6,793	–	6,793
Stage 3	–	–	13	13	–	13	–	13
Loans and advances to customers-Personal								
(Excluding accrued interest)								
at amortised cost	2,611,949	41,192	29,543	2,682,684	69,722	2,752,406	(66,186)	2,686,220
Stage 1	2,590,209	–	–	2,590,209	65,939	2,656,148	(24,422)	2,631,726
Stage 2	21,740	41,192	–	62,932	3,500	66,432	(20,581)	45,851
Stage 3	–	–	29,543	29,543	283	29,826	(21,183)	8,643
Due from and placements with banks and								
other financial institutions	685,814	–	–	685,814	292,211	978,025	(3,983)	974,042
Stage 1	685,814	–	–	685,814	286,104	971,918	(3,973)	967,945
Stage 2	–	–	–	–	6,107	6,107	(10)	6,097
Financial investments at amortised cost	2,488,290	2,363	1,229	2,491,882	93,446	2,585,328	(3,535)	2,581,793
Stage 1	2,488,290	–	–	2,488,290	89,222	2,577,512	(1,504)	2,576,008
Stage 2	–	2,363	–	2,363	3,891	6,254	(949)	5,305
Stage 3	–	–	1,229	1,229	333	1,562	(1,082)	480
Debt investments at FVOCI	555,507	399	–	555,906	508,715	1,064,621	–	1,064,621
Stage 1	555,507	–	–	555,507	504,644	1,060,151	–	1,060,151
Stage 2	–	399	–	399	4,020	4,419	–	4,419
Stage 3	–	–	–	–	51	51	–	51
On-balance sheet total	12,212,467	127,006	93,882	12,433,355	1,453,491	13,886,846	(230,268)	13,656,578

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(c) ***Maximum exposure to credit risk*** *(Continued)*

(i) financial instruments included in impairment assessment (Continued)

As at 31 December 2023	Low risk	Medium risk	High risk	Domestic branches total	Overseas and subsidiaries	Group total	Allowance for Impairment losses	Maximum exposure to credit risk
On-balance sheet item								
Cash and balances with central banks								
(Stage 1)	862,742	–	–	862,742	22,803	885,545	–	885,545
Loans and advances to customers-								
Corporate (Excluding accrued interest)								
at amortised cost	4,458,676	81,134	67,245	4,607,055	478,432	5,085,487	(152,862)	4,932,625
Stage 1	4,378,790	–	–	4,378,790	437,523	4,816,313	(60,962)	4,755,351
Stage 2	79,886	81,134	–	161,020	22,627	183,647	(38,395)	145,252
Stage 3	–	–	67,245	67,245	18,282	85,527	(53,505)	32,022
at FVOCI	398,335	125	19	398,479	–	398,479	–	398,479
Stage 1	391,313	–	–	391,313	–	391,313	–	391,313
Stage 2	7,022	125	–	7,147	–	7,147	–	7,147
Stage 3	–	–	19	19	–	19	–	19
Loans and advances to customers-Personal								
(Excluding accrued interest)								
at amortised cost	2,355,913	30,662	19,808	2,406,383	66,717	2,473,100	(50,913)	2,422,187
Stage 1	2,336,427	–	–	2,336,427	66,017	2,402,444	(19,710)	2,382,734
Stage 2	19,486	30,662	–	50,148	385	50,533	(16,945)	33,588
Stage 3	–	–	19,808	19,808	315	20,123	(14,258)	5,865
Due from and placements with banks and other								
financial institutions	441,228	–	–	441,228	420,963	862,191	(2,549)	859,642
Stage 1	441,228	–	–	441,228	412,770	853,998	(2,543)	851,455
Stage 2	–	–	–	–	8,193	8,193	(6)	8,187
Financial investments at amortised cost	2,477,019	2,784	1,136	2,480,939	96,610	2,577,549	(3,638)	2,573,911
Stage 1	2,477,019	–	–	2,477,019	95,803	2,572,822	(1,662)	2,571,160
Stage 2	–	2,784	–	2,784	382	3,166	(997)	2,169
Stage 3	–	–	1,136	1,136	425	1,561	(979)	582
Debt investments at FVOCI	417,918	103	–	418,021	455,245	873,266	–	873,266
Stage 1	417,918	–	–	417,918	452,134	870,052	–	870,052
Stage 2	–	103	–	103	2,983	3,086	–	3,086
Stage 3	–	–	–	–	128	128	–	128
On-balance sheet total	11,411,831	114,808	88,208	11,614,847	1,540,770	13,155,617	(209,962)	12,945,655

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(c) Maximum exposure to credit risk *(Continued)*

(ii) Financial instruments not included in impairment assessment

The analysis of credit risk exposure of those financial assets measured at FVTPL which are not included in the impairment assessment are as follows:

	Maximum exposure to credit risk	
	As at 31 December 2024	As at 31 December 2023
Financial assets at fair value through profit or loss		
Derivative financial instruments	**100,375**	67,387
Loans and advances to customers	**17**	19
Debt securities	**239,635**	227,242
Fund and trust management products	**214,679**	180,911
Equity investments and other investments	**70,044**	73,770
Precious metal contracts	**4,349**	4,524
Other debt investments	**127,445**	155,835
Total	**756,544**	709,688

(iii) Collaterals and other credit enhancements

The Group manages, limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparty, groups, industry segments and geographical regions.

The Group optimises its credit risk structure by placing limits in relation to one borrower, or group of borrowers. Such risks are monitored by the Group on a regular basis and subject to annual or more frequent review, whenever necessary.

The exposure to any single borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. The Group monitors the actual credit risk exposure and credit limits on a daily basis.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet principal and interest repayment obligations. The Group will change their lending limits when appropriate based on the analysis.

Some other specific control and risk mitigation measures are outlined below.

Collaterals

The Group employs a range of policies and practices to mitigate credit risk. The most common practice is to accept collaterals or pledges. The Group implements guidelines on the acceptability of specific classes of collaterals and pledges. The principal types of collaterals and pledges for loans and advances to customers are:

- Residential properties;
- Business assets such as premises, inventory and receivables;
- Financial instruments such as debt securities and stocks.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(c) Maximum exposure to credit risk (Continued)

(iii) Collaterals and other credit enhancements (Continued)

Collaterals (Continued)

The value of collaterals at the time of loan origination is subject to loan-to-value ratio limits based on collateral types. The principal types of collaterals for corporate loans and personal loans are as follows:

Collaterals	Maximum loan-to-value ratio
Cash deposits with the Group	90%
PRC treasury bonds	90%
Financial institution bonds	90%
Publicly traded stocks	60%
Rights to collect fees or right of management	65%
Properties	70%
Land use rights	70%
Vehicles	50%

Long-term loans and advances to corporate and personal customers are generally secured. In addition, in order to minimise the credit loss the Group will strengthen collection through short message reminders, telephone calls, letters, judicial proceedings and other means as soon as impairment indicators are noted for the personal loans and advances.

For loans guaranteed by a third-party guarantor, the Group will assess the financial condition, credit history and ability to meet obligations of the guarantor.

Collaterals and pledges held as security for financial assets other than loans and advances to customers are determined by the nature of the instrument. Debt securities, PRC treasury bonds and the PBOC bills are generally unsecured, with the exception of asset-backed securities, which are secured by portfolios of financial instruments.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

As at 31 December 2024	Gross exposure	Impairment allowance	Carrying amount	Exposure covered by collateral
Credit impaired assets				
Loans and advances to customers				
Loans and advances to customers at amortised cost	111,647	(70,242)	41,405	60,534
Loans and advances to customers at FVOCI	13	–	13	12
Financial investments				
Financial investments at amortised cost	1,562	(1,082)	480	635
Debt investments at FVOCI	51	–	51	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(c) Maximum exposure to credit risk (Continued)

(iii) Collaterals and other credit enhancements (Continued)

Collaterals (Continued)

As at 31 December 2023	Gross exposure	Impairment allowance	Carrying amount	Exposure covered by collateral
Credit impaired assets				
Loans and advances to customers				
Loans and advances to customers at amortised cost	105,650	(67,763)	37,887	50,316
Loans and advances to customers at FVOCI	19	–	19	16
Financial investments				
Financial investments at amortised cost	1,561	(979)	582	832
Debt investments at FVOCI	128	–	128	–

Master netting arrangements

The Group may enter into master netting arrangements or similar agreements with the counterparties to reduce credit risk furtherly. The related credit risk of contracts will reduce when settled on a net basis. Each party to the master netting arrangements or similar agreements will settle all such amounts on a net basis in the event of default of the other party.

(d) Derivative instruments

In accordance with the Administrative Measures for the Capital Management of Commercial Banks issued by China's National Financial Regulatory Administration (the "NFRA"), the Group adopts the standardized approach to measure the credit risk-weighted assets of derivative instruments, including the default risk-weighted assets of non-central counterparties, the credit risk-weighted assets of central counterparties, and the credit valuation adjustment risk-weighted assets.

For further information on counterparty credit risk-weighted assets, please refer to the *Pillar 3 Report at 31 December 2024* published on the official website of the Bank.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(e) Foreclosed assets

	As at 31 December 2024	As at 31 December 2023
Buildings	**938**	1,366
Land use rights	**8**	8
Others	**10**	10
Gross	**956**	1,384
Less: Impairment allowances	**(433)**	(439)
Net	**523**	945

Foreclosed assets are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. The Group does not generally occupy foreclosed assets for its own business use. Foreclosed assets are classified as other assets in the statement of financial position.

(f) Concentration risk analysis for financial assets

The Group mainly manages concentration risk for loans and advances to customers by industry sectors and also manages concentration risk for financial assets by geographical sectors.

Concentration risk for geographical sectors

As at 31 December 2024	**Chinese Mainland**	**Hong Kong**	**Others**	**Total**
Financial assets				
Balances with central banks	**679,897**	**1,649**	**22,221**	**703,767**
Due from and placements with banks and other financial institutions	**732,641**	**116,320**	**125,081**	**974,042**
Derivative financial assets	**66,501**	**18,124**	**15,750**	**100,375**
Loans and advances to customers	**8,029,982**	**196,574**	**124,575**	**8,351,131**
Financial investments at FVTPL	**574,357**	**6,264**	**5,487**	**586,108**
Debt investments at FVOCI	**640,834**	**242,231**	**181,556**	**1,064,621**
Financial investments at amortised cost	**2,520,502**	**46,175**	**15,116**	**2,581,793**
Other financial assets	**84,166**	**6,967**	**792**	**91,925**
Total	**13,328,880**	**634,304**	**490,578**	**14,453,762**
Off-balance sheet exposures				
Guarantees, acceptances and letters of credit	**1,311,459**	**7,661**	**14,381**	**1,333,501**
Loan commitments and other credit related commitments	**1,010,223**	**17,491**	**10,414**	**1,038,128**
Total	**2,321,682**	**25,152**	**24,795**	**2,371,629**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(f) Concentration risk analysis for financial assets *(Continued)*

Concentration risk for geographical sectors (Continued)

As at 31 December 2023	Chinese Mainland	Hong Kong	Others	Total
Financial assets				
Balances with central banks	865,236	1,578	18,731	885,545
Due from and placements with banks and other financial institutions	649,279	83,984	126,379	859,642
Derivative financial assets	31,029	29,982	6,376	67,387
Loans and advances to customers	7,421,635	217,391	133,034	7,772,060
Financial investments at FVTPL	552,977	9,664	5,871	568,512
Debt investments at FVOCI	467,473	223,644	182,149	873,266
Financial investments at amortised cost	2,513,000	43,769	17,142	2,573,911
Other financial assets	27,536	5,948	5,510	38,994
Total	12,528,165	615,960	495,192	13,639,317
Off-balance sheet exposures				
Guarantees, acceptances and letters of credit	1,186,022	6,118	13,111	1,205,251
Loan commitments and other credit related commitments	1,004,082	18,895	4,363	1,027,340
Total	2,190,104	25,013	17,474	2,232,591

Geographical risk concentration for loans and advances to customers

	As at 31 December 2024	**%**	As at 31 December 2023	%
Yangtze River Delta	**2,432,084**	**28.43**	2,226,422	27.98
Bohai Rim Economic Zone	**1,406,292**	**16.44**	1,288,078	16.19
Central China	**1,370,600**	**16.03**	1,290,880	16.22
Pearl River Delta	**1,115,864**	**13.04**	1,051,204	13.21
Western China	**1,024,200**	**11.97**	947,510	11.91
Head Office	**601,556**	**7.03**	528,330	6.64
North Eastern China	**274,860**	**3.21**	265,215	3.33
Overseas	**329,666**	**3.85**	359,446	4.52
Gross amount of loans and advances to customers	**8,555,122**	**100.00**	7,957,085	100.00

Note: The definitions of geographical operating segments are set out in Note 46.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(f) Concentration risk analysis for financial assets (Continued)

Industry analysis for loans and advances to customers

	As at 31 December 2024	%	As at 31 December 2023	%
Corporate loans				
Manufacturing	**1,053,309**	**12.31**	954,586	12.00
Transportation, storage and postal service	**985,091**	**11.50**	905,624	11.38
Leasing and commercial services	**948,410**	**11.09**	866,601	10.89
Real estate	**527,675**	**6.17**	489,080	6.15
Water conservancy, environmental and other public services	**467,212**	**5.46**	466,137	5.86
Production and supply of power, heat, gas and water	**456,439**	**5.34**	391,742	4.92
Wholesale and retail	**289,006**	**3.38**	292,168	3.67
Construction	**210,582**	**2.46**	188,716	2.37
Education, science, culture and public health	**151,490**	**1.77**	141,254	1.78
Finance	**144,878**	**1.69**	159,183	2.00
Mining	**123,059**	**1.44**	116,467	1.46
Information transmission, software and IT services	**89,510**	**1.05**	81,176	1.02
Accommodation and catering	**33,827**	**0.40**	38,159	0.48
Others	**86,090**	**1.01**	88,640	1.11
Discounted bills	**236,138**	**2.76**	304,452	3.83
Total corporate loans	**5,802,716**	**67.83**	5,483,985	68.92
Personal loans				
Mortgages	**1,466,604**	**17.14**	1,462,634	18.39
Credit cards	**538,404**	**6.29**	489,725	6.15
Personal business loans	**413,626**	**4.83**	343,585	4.32
Personal consumption loans	**330,260**	**3.86**	173,423	2.18
Others	**3,512**	**0.05**	3,733	0.04
Total personal loans	**2,752,406**	**32.17**	2,473,100	31.08
Gross amount of loans and advances before impairment allowances	**8,555,122**	**100.00**	7,957,085	100.00

Note: The classification of industries is consistent with the latest national standards for industry classification (Industrial classification for national economic activities (GB/T 4754-2017) issued by SAC and AQSIQ in 2017).

The industry risk concentration analysis for loans and advances to customers is based on the type of industry of the borrowers.

(g) Assessing the credit risk of financial assets after modifications to contractual cash flows

To maximize collection outcomes, the Group may occasionally negotiate amendments to the contractual terms of loans due to commercial negotiations or borrower financial difficulties. Such commercial modifications include extended payment term arrangements, payment holidays, and provision of grace periods. Where management has determined that customers are likely to continue repayments, the Group has established specific loan restructuring policies and operational procedures, which are subject to ongoing review. Loan restructurings are most commonly encountered in the management of medium- and long-term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Group monitors the subsequent performance of modified assets. If the Group determines that the credit risk has significantly improved after modification, these assets will be transformed from stage 3 or stage 2 to stage 1, and the impairment allowance of these assets will be measured on the basis of 12 months ECL instead of the lifetime ECL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(2) Market risk

Overview

Market risk is risk of loss on the Group's on balance sheet and off balance sheet businesses, which is originated from the unfavourable changes and fluctuations in interest rates, foreign exchange rates, commodity price and equity product price. Market risk consists of interest rate risk, foreign exchange rate risk, equity product price risk and commodity price risk. The market risk of the Group mainly comprises interest rate risk and foreign exchange rate risk.

The Group established an integrated market risk management system, formed a market risk management structure with the separation of front and middle-end platforms and specified the responsibilities, the division of labor and the reporting route of the Board of Directors, Board of Supervisors, Senior Management, Special Committees and other relevant departments to ensure the compliance and effectiveness of market risk management.

In accordance with the Rules on Capital Management of Commercial Banks issued by the NFRA, the Group's financial instrument, foreign exchange and commodity positions and other financial instruments recognized by the NFRA are divided into trading book and banking book. The trading book consists of financial instruments, foreign exchange and commodity positions and other financial instruments recognized by the NFRA held either for trading intent or economic hedging against risks of the other items in the trading book. The banking book consists of all instruments other than those included in trading book. The Group recognises, measures, monitors and controls the market risks in trading book and banking book according to their nature and characteristics.

With regard to the exchange rate risk and the interest rate risk of trading book, the Group established an effective limit management system by implementing Net Position, Risk Sensitivity, Value at Risk ("VaR") and other indicators. Meanwhile, with regard to the interest risk of banking book, net interest income simulation and gap analysis are the major tools used by the Group to monitor the interest risk of its overall businesses. In addition, through adequate repricing management and structure adjustment of assets and liabilities, the Group strives to maximise its rate of return while keeping its risks under control.

The Group has continuously improved the management system of market risk. The Group conducted stress tests on historical scenarios and hypothetical scenarios in the consideration of the Group's major market risk factors. The Group has realised daily automatic collection of trading data and market data in the system. The Group conducted the management of risk capital and VaR quota, and formulated the quota allocation plans.

The Group also applies sensitivity analysis to assess and measure the market risk of trading book and banking book. Sensitivity analysis indicates the impact on the relevant market risk assuming that only a single variable changes. As any risk variable rarely changes isolatedly, and the correlation between variables will have a significant effect on the final impact amount of the change of a risk variable, the results of sensitivity analysis can only provide limited market risk information.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(2) Market risk *(Continued)*

The major measurement techniques used to measure and control market risk are outlined below:

(a) VaR

VaR refers to the maximum loss that an investment portfolio may incur at a given confidence level and holding period caused by the changes in market price factors such as interest rates and exchange rates etc. The Group adopted the historical simulation method to calculate daily VaR (99% confidence interval, the holding period of one day).

A summary of VaR by risk type including foreign exchange rate risk and interest rate risk of the trading book of the Group's portfolios is as follows:

		Year ended 31 December 2024		
Items	**31 December 2024**	**Average**	**Maximum**	**Minimum**
VaR	**252**	**267**	**418**	**155**
Including: Interest rate risk	**224**	**190**	**359**	**141**
Foreign exchange risk	**99**	**186**	**420**	**65**

		Year ended 31 December 2023		
Items	31 December 2023	Average	Maximum	Minimum
VaR	199	390	681	196
Including: Interest rate risk	184	338	572	171
Foreign exchange risk	106	131	275	36

(b) Sensitivity analysis

Interest rate sensitivity analysis

The table below illustrates the impact on net profit of the Group for the following year based on the structure of financial assets and liabilities as at the date of statement of financial position, resulting from a parallel upward or downward shift of 100 basis points in related yield curves.

	Changes in net profit	
	As at 31 December 2024	As at 31 December 2023
+100 basis points parallel shift in yield curves	**13,088**	11,574
– 100 basis points parallel shift in yield curves	**(13,088)**	(11,574)

The table below illustrates the impact on other comprehensive income of the Group for the following year based on the structure of financial assets and liabilities as at the date of statement of financial position, resulting from a parallel upward or downward shift of 100 basis points in related yield curves.

	Changes in other comprehensive income	
	As at 31 December 2024	As at 31 December 2023
+100 basis points parallel shift in yield curves	**(21,735)**	(17,882)
– 100 basis points parallel shift in yield curves	**22,034**	20,084

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(2) Market risk *(Continued)*

(b) Sensitivity analysis (Continued)

Interest rate sensitivity analysis (Continued)

The above-mentioned impact on other comprehensive income arises from the changes in the fair value of fixed-interest-rate bonds at fair value through other comprehensive income, and loans and advances to customers at fair value through other comprehensive income.

The results of the interest rate sensitivity analysis set out in the table above are illustrative only and are based on simplified scenarios. The figures represent the projected impact to the net profit and other comprehensive income caused by the projected movement of current interest risk structure yield curves. This effect, however, does not take into account actions that would be taken by the Group to mitigate the impact of interest rate changes.

The projections above also assume that interest rates of all maturities excluding demand deposits move by the same amount and, therefore, do not reflect the potential impact on net profit due to changes in certain rates while others remain unchanged. The projections are based on other simplified assumptions as well, including that all positions are to be held to maturity. There will be changes to the projection if positions are not held to maturity but it is not expected that the changes would be material.

The Group believes the assumption does not represent the Group's policy on use of funds and interest rate risk management. As a result, the above impact may differ from the actual situation.

Foreign exchange sensitivity analysis

The table below illustrates the impact of a concurrent appreciation or depreciation of RMB spot and forward rates against USD and HKD by 5% on the Group's net profit:

	Changes in net profit	
	As at 31 December 2024	As at 31 December 2023
5% appreciation of RMB	**(699)**	837
5% depreciation of RMB	**699**	(837)

The table below illustrates the impact of a concurrent appreciation or depreciation of RMB spot and forward rates against USD and HKD by 5% on the Group's other comprehensive income:

	Changes in other comprehensive income	
	As at 31 December 2024	As at 31 December 2023
5% appreciation of RMB	**(3,055)**	(3,481)
5% depreciation of RMB	**3,055**	3,481

The impact on net profit arises from the influences of RMB exchange rate fluctuation on the net position of monetary assets (excluding other book value other than amortised cost of monetary assets at fair value through other comprehensive income) and liabilities denominated in foreign currencies, the net position of non-monetary financial assets (excluding non-monetary items denominated in foreign currencies measured at fair value through other comprehensive income) and liabilities denominated in foreign currencies measured at fair value, and the fair value of currency derivatives denominated in RMB.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(2) Market risk *(Continued)*

(b) Sensitivity analysis (Continued)

Foreign exchange sensitivity analysis (Continued)

The impact on other comprehensive income arises from the influences of RMB exchange rate fluctuation on the differences on translation of foreign currency financial statements of foreign operators, the overseas investment portion of monetary assets denominated in foreign currencies, other book value other than amortised cost of the non-monetary items denominated in foreign currencies measured at fair value through other comprehensive income (such as stock) and monetary items at fair value through other comprehensive income.

The above impact on net profit is based on the assumption that the sensitive position of the Group's year-end exchange rate and currency derivatives denominated in RMB remain unchanged around the year. While in practice, the Group will, based on its judgement on the trend of exchange rate, actively adjust the foreign currency position and use appropriate derivative instruments to mitigate the impact of the foreign currency risk. Therefore, the above impact might differ from the actual situation.

(c) Interest rate risk in the banking book

Interest rate risk in the banking book refers to the risk of losses in the economic value of the banking book and overall earnings arising from detrimental changes in such areas as interest rate level, term structure, etc. The Group's interest rate risk in the banking book mainly stems from the mismatch of term to repricing (TTR) for assets and liabilities with interest rate sensitivity and inconsistent changes in the benchmark interest rate on which assets and liabilities are based.

The Group incorporates interest rate risk in the banking book into its overall risk management framework, and has established a management system for interest rate risk in the banking book that is compatible with the Group's risk status and business complexity. The Group adopts a risk measurement system to regularly monitor the repricing gap of assets and liabilities with interest rate sensitivity, and takes appropriate measures to control and mitigate risks according to the risk status.

During the Reporting Period, the Group closely monitored policy trends and market interest rate trends, and performed continuous assessment and monitoring over the interest rate risk level in the banking book in combination with stress tests. The Group managed interest rate risk in the banking book by optimising the allocation strategy for assets and liabilities, actively adjusting the business repricing term structure and the duration of investment portfolios, and properly applying interest rate derivatives. As a result, all risk indicators were controlled and within their limits, and interest rate risk in the banking book was controllable as a whole.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(2) Market risk *(Continued)*

(c) Interest rate risk in the banking book *(Continued)*

At the date of statement of financial position, the Group's assets and liabilities categorised by the repricing date or maturity date (whichever is earlier) are as follows:

As at 31 December 2024	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and balances with central banks	702,835	–	–	–	–	14,519	717,354
Due from and placements with banks and other financial institutions	504,820	159,429	262,811	41,365	92	5,525	974,042
Derivative financial assets	–	–	–	–	–	100,375	100,375
Loans and advances to customers	2,016,634	1,427,235	3,801,153	675,060	134,077	296,972	8,351,131
Financial investments at FVTPL	16,468	28,636	98,578	76,078	38,941	397,451	656,152
Financial investments at amortised cost	19,105	27,034	241,049	1,116,699	1,151,798	26,108	2,581,793
Financial investments at FVOCI	85,886	69,440	101,935	456,550	340,372	27,961	1,082,144
Other assets	–	–	–	–	–	437,726	437,726
Total assets	3,345,748	1,711,774	4,505,526	2,365,752	1,665,280	1,306,637	14,900,717
Liabilities							
Due to and placements from banks and other financial institutions	(1,488,768)	(452,668)	(438,474)	(33,621)	(9,193)	(8,727)	(2,431,451)
Financial liabilities at FVTPL	(4,477)	(2,999)	(18,699)	(15,335)	–	(8,744)	(50,254)
Derivative financial liabilities	–	–	–	–	–	(85,473)	(85,473)
Deposits from customers	(3,609,395)	(803,846)	(1,505,128)	(2,684,106)	(27,218)	(170,642)	(8,800,335)
Other liabilities	(109,881)	(282,528)	(1,098,511)	(359,238)	(358,783)	(168,666)	(2,377,607)
Total liabilities	(5,212,521)	(1,542,041)	(3,060,812)	(3,092,300)	(395,194)	(442,252)	(13,745,120)
Total interest sensitivity gap	(1,866,773)	169,733	1,444,714	(726,548)	1,270,086	864,385	1,155,597

As at 31 December 2023	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and balances with central banks	884,284	–	–	–	–	13,738	898,022
Due from and placements with banks and other financial institutions	434,995	148,731	232,858	36,844	17	6,197	859,642
Derivative financial assets	–	–	–	–	–	67,387	67,387
Loans and advances to customers	1,924,013	1,178,073	3,741,404	453,813	177,729	297,028	7,772,060
Financial investments at FVTPL	16,558	18,941	90,093	63,598	62,685	390,407	642,282
Financial investments at amortised cost	11,920	65,591	179,537	1,101,787	1,186,480	28,596	2,573,911
Financial investments at FVOCI	34,805	88,610	104,644	404,770	231,057	24,063	887,949
Other assets	1,161	–	–	–	–	358,058	359,219
Total assets	3,307,736	1,499,946	4,348,536	2,060,812	1,657,968	1,185,474	14,060,472
Liabilities							
Due to and placements from banks and other financial institutions	(1,453,238)	(276,568)	(634,551)	(40,657)	(6,535)	(12,988)	(2,424,537)
Financial liabilities at FVTPL	(2,941)	(126)	(13,658)	(27,341)	–	(12,491)	(56,557)
Derivative financial liabilities	–	–	–	–	–	(50,975)	(50,975)
Deposits from customers	(3,951,448)	(686,639)	(1,363,898)	(2,398,185)	(3)	(151,042)	(8,551,215)
Other liabilities	(132,766)	(317,076)	(657,052)	(313,319)	(307,974)	(149,551)	(1,877,738)
Total liabilities	(5,540,393)	(1,280,409)	(2,669,159)	(2,779,502)	(314,512)	(377,047)	(12,961,022)
Total interest sensitivity gap	(2,232,657)	219,537	1,679,377	(718,690)	1,343,456	808,427	1,099,450

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(2) Market risk *(Continued)*

(d) Foreign exchange risk

The Group conducts the majority of its businesses in RMB, and the recording currency is RMB. Certain foreign transactions are conducted in USD, HKD and other currencies. The exchange rate of RMB to USD, HKD or other currencies is subject to the trading rules of China Foreign Exchange Trade System. Exchange rate risk mainly results from currency mismatch between foreign currency assets and liabilities and between off balance sheet currency exposure. The Group has formulated management measures for exchange rate risks, defining the functional division and scope of work of the exchange rate risk management department, risk identification, measurement, monitoring and control methods, and specific measures. Moreover, the Group controls exchange rate risk by setting relevant limits, taking the initiative to adjust the structure of foreign currency assets for a proper matching of currency structure of assets and liabilities, and applying appropriate exchange rate financial derivatives for transfers and hedging based on its own risk tolerance and operating level.

As at 31 December 2024, the exchange rates for US dollar and HK dollar are 1 US dollar to RMB7.1884 (31 December 2023: RMB7.0827) and 1 HK dollar to RMB0.92604 (31 December 2023: RMB0.90622), respectively.

Carrying amounts of the Group's total assets and liabilities categorised by the original currency as at the date of statement of financial position are as follows:

As at 31 December 2024	RMB	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	Total
Assets					
Cash and balances with central banks	678,258	19,103	2,707	17,286	717,354
Due from and placements with banks and other financial institutions	637,524	254,127	48,133	34,258	974,042
Derivative financial assets	76,457	18,807	3,078	2,033	100,375
Loans and advances to customers	7,920,739	186,261	160,815	83,316	8,351,131
Financial investments at FVTPL	591,446	50,413	1,253	13,040	656,152
Financial investments at amortised cost	2,485,506	65,398	14,993	15,896	2,581,793
Financial investments at FVOCI	634,093	359,242	8,265	80,544	1,082,144
Other assets	215,643	204,797	6,531	10,755	437,726
Total assets	13,239,666	1,158,148	245,775	257,128	14,900,717
Liabilities					
Due to and placements from banks and other financial institutions	(2,038,786)	(319,207)	(8,655)	(64,803)	(2,431,451)
Financial liabilities at FVTPL	(35,357)	(9,097)	(1,428)	(4,372)	(50,254)
Derivative financial liabilities	(72,517)	(5,050)	(5,509)	(2,397)	(85,473)
Deposits from customers	(8,118,650)	(394,390)	(237,299)	(49,996)	(8,800,335)
Other liabilities	(2,130,639)	(201,320)	(20,129)	(25,519)	(2,377,607)
Total liabilities	(12,395,949)	(929,064)	(273,020)	(147,087)	(13,745,120)
Net position	843,717	229,084	(27,245)	110,041	1,155,597
Credit related commitments and financial guarantees	2,136,413	189,864	15,482	29,870	2,371,629

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(2) Market risk *(Continued)*

(d) Foreign exchange risk (Continued)

As at 31 December 2023	RMB	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	Total
Assets					
Cash and balances with central banks	863,157	16,398	2,583	15,884	898,022
Due from and placements with banks and other financial institutions	523,097	264,554	33,678	38,313	859,642
Derivative financial assets	39,341	21,204	4,059	2,783	67,387
Loans and advances to customers	7,276,689	208,367	189,991	97,013	7,772,060
Financial investments at FVTPL	567,556	57,516	3,210	14,000	642,282
Financial investments at amortised cost	2,468,066	76,789	14,221	14,835	2,573,911
Financial investments at FVOCI	455,213	338,548	17,033	77,155	887,949
Other assets	158,175	184,010	6,402	10,632	359,219
Total assets	12,351,294	1,167,386	271,177	270,615	14,060,472
Liabilities					
Due to and placements from banks and other financial institutions	(2,071,836)	(284,634)	(7,232)	(60,835)	(2,424,537)
Financial liabilities at FVTPL	(45,060)	(7,693)	(1,107)	(2,697)	(56,557)
Derivative financial liabilities	(36,367)	(6,239)	(5,342)	(3,027)	(50,975)
Deposits from customers	(7,870,593)	(373,200)	(253,858)	(53,564)	(8,551,215)
Other liabilities	(1,645,750)	(183,905)	(23,108)	(24,975)	(1,877,738)
Total liabilities	(11,669,606)	(855,671)	(290,647)	(145,098)	(12,961,022)
Net position	681,688	311,715	(19,470)	125,517	1,099,450
Credit related commitments and financial guarantees	2,055,142	135,069	13,899	28,481	2,232,591

(e) Other price risk

The Group is exposed to other price risk arising from financial assets such as equity investments and derivatives linked to commodity price. The equity investments arise from the proprietary trading of the Group's subsidiaries which hold the qualification of securities dealing and brokerage as well. As for the proprietary trading exposure, the Group enforces strict management of the risk exposure limit and the balance is insignificant to the Group's financial assets. The Group considers the exposure to the other price risk to be insignificant.

(3) Liquidity risk

Overview

Liquidity risk is the risk that occurs when the Group is not able to obtain sufficient funds in time and at a reasonable cost to repay debts when they are due, fulfill other payment obligations, or meet other funding needs in the normal course of business. The Group's liquidity risk mainly comes from depositors' early or centralised withdrawals, borrowers' deferred repayment of loans, the amount of assets and liabilities and maturity mismatches.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(3) Liquidity risk *(Continued)*

(a) Liquidity risk management

The Group implements centralised management of liquidity risk and, on the basis of forecasting liquidity requirements, formulates corresponding liquidity management plans and actively manages the liquidity of the Bank. The specific measures mainly include:

- Pay close attention to changes in the macroeconomic situation, central bank monetary policy, capital market dynamics, etc.;
- Enhance weighting of core deposits as a percentage of liabilities, so as to improve the stability of liabilities;
- Monitor and manage liquidity position bank-wide by implementing a series of indicators and restrictions;
- Liquidity position management and cash utilisation functions are centralised by the Head offices;
- Maintain an appropriate level of central bank reserves, overnight inter-bank transactions, highly liquid debt investment, actively involve in capital management through open market, monetary market and bond market in order to ensure optimal financing capability at market places;
- Minimise liquidity risk by proper management of asset maturity structures and multi-level liquidity portfolios.

(b) Non-derivative financial instruments cash flows

The table below presents the structural analysis by contracted maturities on non-derivative financial assets and liabilities of the Group at the balance sheet date. The amount of financial assets and liabilities for each period is the amount of undiscounted cash flows The Group's expected cash flows on these financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

As at 31 December 2024	Overdue	Undated	On Demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets									
Cash and balances with central banks	–	638,978	78,121	–	255	–	–	–	717,354
Due from and placements with banks and other financial institutions	–	–	94,004	368,144	131,449	282,179	94,959	29,862	1,000,597
Loans and advances to customers	77,627	–	–	510,866	523,675	2,121,505	2,944,295	4,147,906	10,325,874
Financial investments at FVTPL	64	76,246	255,515	24,561	53,568	120,246	100,862	42,789	673,851
Financial investments at amortised cost	866	–	–	16,636	35,066	309,615	1,353,603	1,308,653	3,024,439
Financial investments at FVOCI	51	17,523	–	19,455	44,855	140,285	623,643	422,391	1,268,203
Other financial assets	2,345	1,208	88,372	–	–	–	–	–	91,925
Assets held for managing liquidity risk (contractual maturity dates)	80,953	733,955	516,012	939,662	788,868	2,973,830	5,117,362	5,951,601	17,102,243
Liabilities									
Due to and placements from banks and other financial institutions	–	–	(847,347)	(636,957)	(424,102)	(447,131)	(78,653)	(18,344)	(2,452,534)
Financial liabilities at FVTPL	–	(606)	(9,094)	(721)	(4,932)	(19,983)	(16,320)	–	(51,656)
Deposits from customers	–	–	(3,126,366)	(623,974)	(824,608)	(1,560,527)	(2,806,092)	(27,237)	(8,968,804)
Certificates of deposit issued	–	–	–	(102,977)	(261,956)	(993,702)	(32,441)	(72)	(1,391,148)
Debt securities issued	–	–	–	(429)	(24,575)	(128,777)	(344,373)	(292,081)	(790,235)
Other financial liabilities	–	–	(80,332)	(2,004)	(476)	(2,282)	(7,546)	(3,541)	(96,181)
Total liabilities (contractual maturity dates)	–	(606)	(4,063,139)	(1,367,062)	(1,540,649)	(3,152,402)	(3,285,425)	(341,275)	(13,750,558)
Net position	80,953	733,349	(3,547,127)	(427,400)	(751,781)	(178,572)	1,831,937	5,610,326	3,351,685

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(3) Liquidity risk *(Continued)*

(b) Non-derivative financial instruments cash flows (Continued)

As at 31 December 2023	Overdue	Undated	On Demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets									
Cash and balances with central banks	–	695,143	202,550	–	329	–	–	–	898,022
Due from and placements with banks and other financial institutions	–	–	70,228	337,245	132,864	244,157	78,396	20,173	883,063
Loans and advances to customers	76,918	–	–	536,179	526,757	2,005,894	2,627,952	3,681,800	9,455,500
Financial investments at FVTPL	89	70,471	242,065	15,695	51,696	117,071	102,928	68,783	668,798
Financial investments at amortised cost	1,003	–	–	14,630	74,810	250,806	1,351,540	1,350,430	3,043,219
Financial investments at FVOCI	73	14,683	–	19,138	47,199	143,138	519,908	285,228	1,029,367
Other financial assets	2,003	–	36,991	–	–	–	–	–	38,994
Assets held for managing liquidity risk (contractual maturity dates)	80,086	780,297	551,834	922,887	833,655	2,761,066	4,680,724	5,406,414	16,016,963
Liabilities									
Due to and placements from banks and other financial institutions	–	–	(906,104)	(544,729)	(265,996)	(649,323)	(66,668)	(17,997)	(2,450,817)
Financial liabilities at FVTPL	–	(577)	(11,005)	(1,693)	(1,562)	(14,672)	(29,191)	–	(58,700)
Deposits from customers	–	–	(3,192,693)	(886,873)	(701,788)	(1,406,736)	(2,522,115)	(3)	(8,710,208)
Certificates of deposit issued	–	–	–	(116,088)	(293,059)	(615,261)	(15,678)	(455)	(1,040,541)
Debt securities issued	–	–	–	(4,264)	(20,884)	(76,961)	(321,073)	(263,540)	(686,722)
Other financial liabilities	–	–	(79,863)	(2,308)	(533)	(2,362)	(5,449)	(6,014)	(96,529)
Total liabilities (contractual maturity dates)	–	(577)	(4,189,665)	(1,555,955)	(1,283,822)	(2,765,315)	(2,960,174)	(288,009)	(13,043,517)
Net position	80,086	779,720	(3,637,831)	(633,068)	(450,167)	(4,249)	1,720,550	5,118,405	2,973,446

Assets available to repay all of the liabilities and fulfill loan commitments include cash, balances with central banks, due from and placements with banks and other financial institutions, financial investment at fair value through profit or loss, etc. In the normal course of business, a majority of matured deposits will not be withdrew immediately on the maturity date but will continue to be kept by the Group. In addition, financial investments at fair value through other comprehensive income can also be disposed of when necessary to obtain funds for repayment of matured debts.

(c) Derivative financial instruments cash flows

The Group's derivative financial instruments are either settled on a net basis or a gross basis.

(i) Derivative settled on a net basis

The Group's derivative financial instruments that will be settled on a net basis include foreign exchange contracts, commodity contracts, interest rate contracts and others.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(3) Liquidity risk *(Continued)*

(c) Derivative financial instruments cash flows *(Continued)*

(i) Derivative settled on a net basis (Continued)

The table below analyses the undiscounted cash flows of the Group's derivative financial instruments which will be settled on a net basis and are classified based on the remaining contractual period from the balance sheet date to maturity date.

As at 31 December 2024	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Assets						
Derivative financial instruments						
– Foreign exchange contracts	**6**	**32**	**74**	**19**	**–**	**131**
– Interest rate contracts	**55**	**284**	**2,428**	**25,948**	**8,023**	**36,738**
– Commodity contracts and others	**1**	**14**	**6**	**15**	**–**	**36**
Total	**62**	**330**	**2,508**	**25,982**	**8,023**	**36,905**
Liabilities						
Derivative financial instruments						
– Foreign exchange contracts	**(22)**	**(26)**	**(45)**	**(24)**	**–**	**(117)**
– Interest rate contracts	**(36)**	**61**	**(1,799)**	**(17,865)**	**(1,697)**	**(21,336)**
– Commodity contracts and others	**(1)**	**(2)**	**(24)**	**(2)**	**–**	**(29)**
Total	**(59)**	**33**	**(1,868)**	**(17,891)**	**(1,697)**	**(21,482)**

As at 31 December 2023	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Derivative financial instruments						
– Foreign exchange contracts	4	6	6	–	–	16
– Interest rate contracts	932	2,688	9,242	20,428	2,915	36,205
– Commodity contracts and others	2	5	2	14	–	23
Total	938	2,699	9,250	20,442	2,915	36,244
Liabilities						
Derivative financial instruments						
– Foreign exchange contracts	(6)	(4)	(7)	(2)	–	(19)
– Interest rate contracts	(484)	(1,588)	(5,236)	(10,488)	(1,473)	(19,269)
– Commodity contracts and others	–	(15)	(71)	(58)	–	(144)
Total	(490)	(1,607)	(5,314)	(10,548)	(1,473)	(19,432)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(3) Liquidity risk *(Continued)*

(c) Derivative financial instruments cash flows *(Continued)*

(ii) Derivative settled on a gross basis

The Group's derivative financial instruments that will be settled on a gross basis mainly include foreign exchange and commodity derivatives. The table below analyses the undiscounted cash flows of the Group's derivative financial instruments which will be settled on a gross basis and are classified based on the remaining contractual period from the balance sheet date to maturity date.

As at 31 December 2024	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Derivative financial instruments settled on a gross basis						
– Cash inflow	1,422,780	1,191,262	2,305,835	140,400	10,957	5,071,234
– Cash outflow	(1,422,653)	(1,192,576)	(2,306,072)	(140,650)	(9,310)	(5,071,261)
Total	127	(1,314)	(237)	(250)	1,647	(27)

As at 31 December 2023	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Derivative financial instruments settled on a gross basis						
– Cash inflow	1,135,990	1,077,307	1,980,490	144,136	11,585	4,349,508
– Cash outflow	(1,135,816)	(1,075,969)	(1,981,905)	(144,536)	(11,553)	(4,349,779)
Total	174	1,338	(1,415)	(400)	32	(271)

(d) Maturity analysis

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

As at 31 December 2024	Overdue	Undated	On Demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets									
Cash and balances with central banks	–	638,978	78,121	–	255	–	–	–	717,354
Due from and placements with banks and other financial institutions	–	–	93,623	366,916	130,115	276,049	86,736	20,603	974,042
Derivative financial assets	–	–	–	14,755	18,032	31,446	26,248	9,894	100,375
Loans and advances to customers	45,872	–	–	495,567	472,377	1,934,984	2,358,186	3,044,145	8,351,131
Financial investments at FVTPL	64	76,246	255,515	24,234	52,866	115,567	92,099	39,561	656,152
Financial investments at amortised cost	866	–	–	15,969	31,385	255,440	1,126,341	1,151,792	2,581,793
Financial investments at FVOCI	51	17,523	–	18,993	42,452	119,591	538,425	345,109	1,082,144
Other assets	2,345	270,738	121,891	–	–	5,268	37,484	–	437,726
Total assets	49,198	1,003,485	549,150	936,434	747,482	2,738,345	4,265,519	4,611,104	14,900,717
Liabilities									
Due to and placements from banks and other financial institutions	–	–	(847,347)	(636,263)	(422,021)	(441,503)	(71,322)	(12,995)	(2,431,451)
Financial liabilities at FVTPL	–	(606)	(9,094)	(721)	(4,925)	(19,573)	(15,335)	–	(50,254)
Derivative financial liabilities	–	–	–	(14,660)	(19,381)	(30,633)	(18,996)	(1,803)	(85,473)
Deposits from customers	–	–	(3,125,459)	(614,315)	(809,216)	(1,513,958)	(2,710,169)	(27,218)	(8,800,335)
Other liabilities	–	–	(90,458)	(139,199)	(304,696)	(1,116,700)	(364,000)	(362,554)	(2,377,607)
Total liabilities	–	(606)	(4,072,358)	(1,405,158)	(1,560,239)	(3,122,367)	(3,179,822)	(404,570)	(13,745,120)
Net amount on liquidity gap	49,198	1,002,879	(3,523,208)	(468,724)	(812,757)	(384,022)	1,085,697	4,206,534	1,155,597

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(3) Liquidity risk *(Continued)*

(d) Maturity analysis (Continued)

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

(e) Off-balance sheet items

The off-balance sheet items of the Group primarily comprise loan commitments, credit card commitments, letter of credit commitments, guarantee and letters of guarantee issued, acceptance notes, etc. The table below lists the liquidity analysis of the off-balance sheet items of the Group, and financial guarantees are included at notional amounts and based on the earliest contractual maturity date.

As at 31 December 2024	**Up to 1 year**	**1-5 years**	**Over 5 years**	**Total**
Loan commitments and other credit related commitments	**942,298**	**43,895**	**51,935**	**1,038,128**
Guarantees, acceptances and letters of credit	**1,112,251**	**215,213**	**6,037**	**1,333,501**
Total	**2,054,549**	**259,108**	**57,972**	**2,371,629**

As at 31 December 2023	Up to 1 year	1-5 years	Over 5 years	Total
Loan commitments and other credit related commitments	953,626	31,706	42,008	1,027,340
Guarantees, acceptances and letters of credit	980,707	215,611	8,933	1,205,251
Total	1,934,333	247,317	50,941	2,232,591

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(4) Fair value of financial assets and liabilities

(a) Determination of fair value and valuation techniques

Some of the Group's financial assets and financial liabilities are measured at fair value. The Board of Directors is responsible for establishing a sound system of internal control over valuation and is ultimately responsible for the adequacy and effectiveness of the system of internal control and for reviewing and approving the policy for fair value accounting valuation of financial instruments. The Group's internal control system related to fair value valuation specifies fundamental valuation principles, methodologies, processes, as well as division of responsibilities.

Fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

(i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

(ii) Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

(iii) Level 3 inputs are unobservable inputs for the asset or liability.

The fair value of financial instruments with unadjusted quoted prices for identical instruments in active markets is determined by the open market quotations. These instruments are classified as level 1.

The Group uses valuation techniques to determine the fair value of financial instruments when an open market quotation in active markets is not obtainable.

If the key parameters used in valuation techniques for financial instruments are substantially observable and obtainable from active open market, the instruments are classified as level 2. The second hierarchy of financial instruments held by the Group mainly includes derivatives, debt securities and certificates of deposit without quotations from active market, unimpaired loans and advances to customers carried at FVOCI, precious metals and debt securities issued. The fair value of RMB denominated bonds is mainly valued based on the yield curves of the bonds from China Central Depository & Clearing Co., Ltd., while the fair value of the foreign currency denominated bonds is determined based on the valuation results published by Bloomberg. The fair value of foreign currency forwards and swaps, interest rate swaps, foreign currency options is estimated by the discounted cash flow method and Black-Scholes model. The fair value of precious metal contract is mainly determined in accordance with the closing prices of the Shanghai Gold Exchange or the settlement prices of the Shanghai Futures Exchange. The main parameters used in discounted cash flow model include recent market prices, the relevant yield curve, exchange rates and counterparty's credit spread. Main parameters used in Black-Scholes model include the relevant yield curve, exchange rate, level of volatilities and counterparty's credit spread, etc. All parameters used in valuation techniques are substantially observable and obtainable from active open market.

For trust and asset management plan at fair value through profit or loss, impaired loans and advances to customers at fair value through other comprehensive income, the fair value is determined based on discounted cash flow model using unobservable discount rates that reflect credit risk. These financial instruments are classified as level 3.

For convertible bonds, restricted stock units, unlisted equities, unlisted funds, certain trusts and asset management plans, etc. held by the Group, the fair value of these financial instruments are determined with reference to certain unobservable inputs, and therefore the instruments have been classified by the Group as level 3. The management determines the fair value of these financial instruments using a variety of techniques, the valuation methods used were mainly the discounted cash flow method and the market comparable companies method, including using valuation models that incorporate and take into account unobservable inputs such as interest's cash flow, risk-adjusted discount rate, price to book value ratio, price to earnings ratio and liquidity discounts. The Group has established internal control procedures to monitor the Group's exposure to such financial instruments.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(4) Fair value of financial assets and liabilities *(Continued)*

(b) Financial instruments not measured at fair value

The table below summarises the carrying amount and fair value of those financial assets and liabilities that are not presented at fair value as at the date of statement of financial position. Financial assets and liabilities with carrying amount approximate to fair value, such as cash and balances with central banks, due from and placements with banks and other financial institutions, loans and advances to customers at amortised cost, due to and placements from banks and other financial institutions, and deposits from customers, are not included in the table below.

	As at 31 December 2024		As at 31 December 2023	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial asset				
Financial investments at amortised cost	**2,581,793**	**2,745,341**	2,573,911	2,635,222
Financial liabilities				
Debt securities issued	**(668,128)**	**(683,138)**	(566,611)	(569,680)

Fair value hierarchy of financial instruments not measured at fair value

As at 31 December 2024	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial asset				
Financial investments at amortised cost	**4,115**	**2,711,664**	**29,562**	**2,745,341**
Financial liabilities				
Debt securities issued	**–**	**(683,138)**	**–**	**(683,138)**

As at 31 December 2023	Level 1	Level 2	Level 3	Total
Financial asset				
Financial investments at amortised cost	4,282	2,573,820	57,120	2,635,222
Financial liabilities				
Debt securities issued	–	(569,680)	–	(569,680)

The carrying amounts and fair values of other financial assets and liabilities (including loans and advances to customers at amortised cost, deposits from customers, due from and placements with banks and other financial institutions, due to and placements from banks and other financial institutions) are approximately the same, because the interest rates of most of these assets and liabilities are adjusted following the changes in interest rates determined by the PBOC, other regulatory bodies or market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(4) Fair value of financial assets and liabilities *(Continued)*

(c) Financial assets and financial liabilities measured at fair value on a recurring basis

The financial assets and liabilities measured at fair value on a recurring basis by the three levels are analysed below:

As at 31 December 2024	Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Placements with banks and other financial institutions	–	2,760	–	2,760
Debt securities	3,092	233,122	3,421	239,635
Fund and asset management products	157,610	29,119	27,950	214,679
Equity investments and other investments	2,467	2,863	64,714	70,044
Precious metal contracts	–	4,349	–	4,349
Other debt investments	–	127,445	–	127,445
Derivative financial instruments	–	98,806	1,569	100,375
Loans and advances to customers	–	17	–	17
Subtotal	163,169	498,481	97,654	759,304
At fair value through other comprehensive income				
Debt investments at FVOCI	2,339	1,062,282	–	1,064,621
Investments in equity instruments designated at FVOCI	10,174	1,032	6,317	17,523
Loans and advances to customers at FVOCI	–	315,360	13	315,373
Subtotal	12,513	1,378,674	6,330	1,397,517
Total assets	175,682	1,877,155	103,984	2,156,821

As at 31 December 2024	Level 1	Level 2	Level 3	Total
Placements from banks and other financial institutions	–	(6,282)	–	(6,282)
Financial liabilities at FVTPL	(4)	(49,812)	(438)	(50,254)
Derivative financial instruments	–	(85,473)	–	(85,473)
Debt securities issued	–	(23,120)	–	(23,120)
Total liabilities	(4)	(164,687)	(438)	(165,129)

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(4) Fair value of financial assets and liabilities *(Continued)*

(c) Financial assets and financial liabilities measured at fair value on a recurring basis *(Continued)*

As at 31 December 2023	Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Placements with banks and other financial institutions	–	13,035	–	13,035
Debt securities	1,187	223,348	2,707	227,242
Fund and asset management products	105,771	49,082	26,058	180,911
Equity investments and other investments	4,686	870	68,214	73,770
Precious metal contracts	–	4,524	–	4,524
Other debt investments	–	155,835	–	155,835
Derivative financial instruments	–	66,362	1,025	67,387
Loans and advances to customers	–	19	–	19
Subtotal	111,644	513,075	98,004	722,723
At fair value through other comprehensive income				
Debt investments at FVOCI	2,523	868,192	2,551	873,266
Investments in equity instruments designated at FVOCI	8,544	–	6,139	14,683
Loans and advances to customers at FVOCI	–	398,460	19	398,479
Subtotal	11,067	1,266,652	8,709	1,286,428
Total assets	122,711	1,779,727	106,713	2,009,151

As at 31 December 2023	Level 1	Level 2	Level 3	Total
Placements from banks and other financial institutions	–	(11,464)	–	(11,464)
Financial liabilities at FVTPL	(6)	(56,015)	(536)	(56,557)
Derivative financial instruments	–	(50,975)	–	(50,975)
Debt securities issued	–	(25,564)	–	(25,564)
Total liabilities	(6)	(144,018)	(536)	(144,560)

For the year ended 31 December 2024 and 31 December 2023, the Group's financial assets and financial liabilities measured at fair value on a recurring basis have no significant transfers between Level 1 and Level 2.

Reconciliation of Level 3 items

	Financial assets at FVTPL	Financial assets at FVOCI	Financial liabilities at FVTPL
Balance at 1 January 2024	**98,004**	**8,709**	**(536)**
Total gains or losses			
– Net gains/(losses) arising from trading activities	**3,254**	**(2)**	**–**
– Other comprehensive income	**–**	**214**	**–**
Additions	**31,667**	**1**	**–**
Disposals and settlement	**(32,109)**	**(2,597)**	**98**
Transfer from other levels	**–**	**5**	**–**
Transfer to other levels	**(3,162)**	**–**	**–**
Balance at 31 December 2024	**97,654**	**6,330**	**(438)**
Total gains generated by financial assets held by the Group as at 31 December 2024			
– Realised gains	**3,380**	**29**	**–**
– Unrealised gains	**3,535**	**241**	**–**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(4) Fair value of financial assets and liabilities *(Continued)*

(c) Financial assets and financial liabilities measured at fair value on a recurring basis *(Continued)*

Reconciliation of Level 3 items (Continued)

	Financial assets at FVTPL	Financial assets at FVOCI	Financial liabilities at FVTPL
Balance at 1 January 2023	88,064	6,663	–
Total gains or losses			
– Net gains/(losses) arising from trading activities	586	78	–
– Other comprehensive income	–	316	–
Additions	31,051	2,209	(536)
Disposals and settlement	(21,697)	(565)	–
Transfer from other levels	–	8	–
Balance at 31 December 2023	98,004	8,709	(536)
Total gains generated by financial assets held by the Group as at 31 December 2023			
– Realised gains	3,411	75	–
– Unrealised gains	579	406	–

(5) Offsetting financial assets and liabilities

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such a mutual consent, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. These financial assets and financial liabilities of the Group are not offset in accordance with IFRSs.

(6) Capital management

The "capital" in capital management is a broader concept than "shareholders' equity" on the statement of financial position. The Group's objectives in capital management are:

- To comply with the capital requirements set by the regulators of the markets where the Group operates;
- To ensure the Group's ability to maintain a stable operation so as to continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Group management adopts the Administrative Measures for the Capital of Commercial Banks in monitoring its capital adequacy ratio and the usage of capital continuously. The quarterly monitored information is then submitted to the NFRA.

Group has steadily promoted the implementation and deepened application of advanced methods in accordance with regulatory requirements. According to the implementation scope of the advanced methods of capital management approved by the regulator, the Group elected to use internal rating based ("IRB") approach for credit risk exposures which is approved by regulatory inspection. For credit risk exposures not covered by IRB, the corresponding portion shall be calculated by the weighted approach. The Group mainly elected to use standardised approach for market risk exposures and standardised approach for operational risk exposures.

As at 31 December 2024, the Group's capital adequacy ratio at all levels met the regulatory requirements. For further information on the Group's capital, please refer to the Pillar 3 Report at 31 December 2024 published on the official website of the Bank.

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

4 NET INTEREST INCOME

	2024	2023
Interest income		
Loans and advances to customers	**298,120**	306,150
Financial investments	**112,038**	111,647
Due from and placements with banks and other financial institutions	**30,024**	29,671
Balances with central banks	**11,530**	12,393
Subtotal	**451,712**	459,861
Interest expense		
Deposits from customers	**(178,111)**	(192,982)
Due to and placements from banks and other financial institutions	**(56,063)**	(55,150)
Certificates of deposit issued	**(31,056)**	(31,211)
Debt securities issued	**(16,650)**	(16,395)
Subtotal	**(281,880)**	(295,738)
Net interest income	**169,832**	164,123

5 FEE AND COMMISSION INCOME

	2024	2023
Bank cards business	**14,826**	18,762
Wealth management business	**7,764**	7,808
Custody and other fiduciary business	**7,667**	8,004
Agency services	**3,502**	5,274
Guarantee and commitment	**3,202**	3,201
Investment banking	**2,316**	2,521
Settlement services	**1,504**	1,375
Others	**137**	203
Total	**40,918**	47,148

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

6 FEE AND COMMISSION EXPENSE

	2024	2023
Bank card business	**2,101**	2,341
Settlement and agency services	**1,552**	1,551
Others	**351**	252
Total	**4,004**	4,144

7 NET GAINS/(LOSSES) ARISING FROM TRADING ACTIVITIES

	2024	2023
Financial instruments at FVTPL	**18,295**	18,512
Interest rate instruments and others	**8,899**	7,799
Foreign exchange	**(5,275)**	(3,087)
Total	**21,919**	23,224

Net gains or losses on foreign exchange include trading gains or losses and fair value changes of derivative instruments such as spot and forward contracts, currency swaps, cross currency interest rate swaps, currency options and the translation of foreign currency monetary assets and liabilities into RMB.

Net gains or losses on interest rate instruments and others include trading gains or losses and fair value changes of interest rate swaps, interest rate options, commodity and other derivatives.

Net gains arising from trading activities for the year ended 31 December 2024 included a net gain of RMB40 million (for the year ended 31 December 2023: a net loss of RMB57 million) in relation to changes in the fair value of financial liabilities designated at fair value through profit or loss.

8 OTHER OPERATING INCOME

	2024	2023
Leasing income	**21,252**	19,478
Insurance service income	**2,518**	1,902
Net gains on the disposal of fixed and foreclosed assets	**878**	793
Income from sales of precious metal merchandise	**427**	681
Revaluation of investment properties	**(79)**	(176)
Other miscellaneous income	**4,145**	3,902
Total	**29,141**	26,580

Other miscellaneous income mainly includes income arising from miscellaneous banking services provided to the Group's customers.

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

9 CREDIT IMPAIRMENT LOSSES

	2024	2023
Loans and advances to customers at amortised cost	**49,452**	54,211
Due from and placements with banks and other financial institutions	**1,421**	1,502
Credit related commitments and financial guarantees	**1,139**	(2,269)
Debt investments at FVOCI	**401**	1,027
Loans and advances to customers at FVOCI	**256**	733
Financial investments at amortised cost	**(103)**	45
Others	**1**	1,659
Total	**52,567**	56,908

10 OTHER ASSETS IMPAIRMENT LOSSES

	2024	2023
Operating lease assets	**1,409**	1,007
Foreclosed assets	**231**	61
Investments in associates and joint ventures	**–**	2
Assets to be disposed	**–**	(1)
Precious metal	**–**	(7)
Total	**1,640**	1,062

11 OTHER OPERATING EXPENSES

	2024	2023
Staff costs and benefits (Note 12)	**42,320**	41,092
General operating and administrative expenses	**25,455**	26,750
Costs of operating lease business	**15,258**	13,803
Depreciation and amortisation	**9,912**	9,527
Insurance service expense	**4,956**	4,429
Tax and surcharges	**3,075**	3,172
Provision for outstanding litigations	**(95)**	(14)
Others	**1,706**	1,587
Total	**102,587**	100,346

12 STAFF COSTS

	Note	**2024**	2023
Salaries, bonuses, allowances and subsidies		**28,349**	27,797
Post-employment benefit	(1)	**5,140**	4,797
Other social security and benefit costs		**8,831**	8,498
Total		**42,320**	41,092

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

12 STAFF COSTS *(Continued)*

(1) Post-employment benefit

Defined contribution plans

In accordance with relevant laws and regulations and the Group's requirements, the Group make contributions to the relevant organizations and plans based on certain percentage of the employees' basic salary which is recognised in profit or loss as incurred. Apart from these monthly contributions, the Group has no further payment obligations.

The amount recognised in profit or loss in the year is as follows:

	2024	2023
Expenses incurred for retirement benefit plans and unemployment insurance	**3,223**	2,971
Expenses incurred for annuity plan	**1,960**	1,805
Total	**5,183**	4,776

The amount payable at the end of the year is as follows:

	As at 31 December 2024	As at 31 December 2023
Payable for retirement benefit plans and unemployment insurance	**85**	84
Payable for annuity plan	**45**	41
Total	**130**	125

Defined benefit plans

The Group recognizes supplemental retirement benefit obligations under defined benefit plans using actuarial techniques. The actuarial assumptions used to determine the present value of the defined benefit plan obligations are the government bond yield, inflation rates and mortality-ratio. The government bond yield and inflation rate were 1.80% and 0.21% (31 December 2023: 2.70% and 0.42%), respectively. Assumptions regarding future mortality rate were determined based on the China Life Insurance Industry Experience Life Table, which is a publicly available statistical information for the China region.

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

12 STAFF COSTS *(Continued)*

(1) Post-employment benefit *(Continued)*

Defined benefit plans *(Continued)*

The Group's retirement benefit obligations in locations other than Chinese Mainland are immaterial and are made in accordance with the relevant local policies and regulations.

	As at 31 December 2024	As at 31 December 2023
Statement of financial position		
– Net obligations for pension benefits	**320**	331

Amounts recognised in comprehensive income in respect of the supplementary retirement benefits are as follows:

	2024	2023
Components of defined benefit costs recognised in profit or loss	**27**	21
Components of defined benefit costs/(gains) recognised in other comprehensive income	**16**	(33)
Total	**43**	(12)

Past service cost and interest expense are recognised in other operating expenses in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

13 EMOLUMENTS OF DIRECTORS AND SUPERVISORS

(1) Directors' and supervisors' emoluments before taxation

(In thousands of RMB)	Year ended 31 December 2024			
Name	Emoluments	Remuneration	Social insurance, enterprise annuity, supplementary medical insurance and housing provident fund deposited by the Bank	Total
Executive directors				
Mr. Ren, Deqi	–	673	272	945
Mr. Zhang, Baojiang	–	392	159	551
Mr. Yin, Jiuyong	–	605	266	871
Mr. Zhou, Wanfu	–	605	265	870
Non-executive directors				
Mr. Li, Longcheng	–	–	–	–
Mr. Wang, Linping	–	–	–	–
Mr. Chang, Baosheng	–	–	–	–
Mr. Liao, Yijian	–	–	–	–
Mr. Chan, Siu Chung	–	–	–	–
Mr. Mu, Guoxin	–	–	–	–
Mr. Chen, Junkui	–	–	–	–
Mr. Luo, Xiaopeng	–	–	–	–
Independent non-executive directors				
Mr. Shi, Lei	310	–	–	310
Mr. Zhang, Xiangdong	–	–	–	–
Ms. Li, Xiaohui	330	–	–	330
Mr. Ma, Jun	310	–	–	310
Mr. Wong Tin Chak	310	–	–	310
Mr. Xiao, Wei	–	–	–	–
Supervisors				
Mr. Xu, Jiming	–	673	268	941
Mr. Wang, Xueqing	–	–	–	–
Mr. Chen, Hanwen	280	–	–	280
Mr. Su, Zhi	260	–	–	260
Mr. Guan, Xingshe	–	830	251	1,081
Ms. Lin, Zhihong	–	830	251	1,081
Ms. Feng, Bing	–	806	251	1,057
Ms. Po, Ying	–	824	265	1,089
Total	1,800	6,238	2,248	10,286

(In thousands of RMB)	Year ended 31 December 2024			
Name	Emoluments	Remuneration	Social insurance, enterprise annuity, supplementary medical insurance and housing provident fund deposited by the Bank	Total
Former directors and supervisors				
Mr. Liu, Jun	–	224	87	311
Mr. Cai, Haoyi	–	–	–	–
Mr. Li, Yao	233	–	–	233
Total	233	224	87	544

13 EMOLUMENTS OF DIRECTORS AND SUPERVISORS *(Continued)*

(1) Directors' and supervisors' emoluments before taxation *(Continued)*

(In thousands of RMB)

Name	Year ended 31 December 2023 Emoluments	Remuneration	Social insurance, enterprise annuity, supplementary medical insurance and housing provident fund deposited by the Bank	Incentive income for 2021-2023 tenure
Executive directors				
Mr. Ren, Deqi	–	868	267	674
Mr. Liu, Jun	–	868	255	674
Non-executive directors				
Mr. Li, Longcheng	–	–	–	–
Mr. Wang, Linping	–	–	–	–
Mr. Chang, Baosheng	–	–	–	–
Mr. Liao, Yijian	–	–	–	–
Mr. Chan, Siu Chung	–	–	–	–
Mr. Mu, Guoxin	–	–	–	–
Mr. Chen, Junkui	–	–	–	–
Mr. Luo, Xiaopeng	–	–	–	–
Independent non-executive directors				
Mr. Cai, Haoyi	–	–	–	–
Mr. Shi, Lei	310	–	–	–
Mr. Zhang, Xiangdong	–	–	–	–
Ms. Li, Xiaohui	330	–	–	–
Mr. Ma, Jun	310	–	–	–
Mr. Wong Tin Chak	78	–	–	–
Supervisors				
Mr. Xu, Jiming	–	868	255	545
Mr. Wang, Xueqing	–	–	–	–
Mr. Li, Yao	280	–	–	–
Mr. Chen, Hanwen	280	–	–	–
Mr. Su, Zhi	260	–	–	–
Mr. Guan, Xingshe	–	1,040	250	–
Ms. Lin, Zhihong	–	1,040	250	–
Ms. Feng, Bing	–	816	250	–
Ms. Po, Ying	–	1,034	256	–
Total	1,848	6,534	1,783	1,893

(In thousands of RMB)

Name	Year ended 31 December 2023 Emoluments	Remuneration	Social insurance, enterprise annuity, supplementary medical insurance and housing provident fund deposited by the Bank	Incentive income for 2021-2023 tenure
Former directors and supervisors				
Raymond Woo Chin Wan	233	–	–	–
Total	233	–	–	–

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13 EMOLUMENTS OF DIRECTORS AND SUPERVISORS *(Continued)*

(1) Directors' and supervisors' emoluments before taxation *(Continued)*

(a) The total compensation package for directors and supervisors for the year ended 31 December 2024 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have significant impact to the Group's financial statements for the year ended 31 December 2024. The final compensation will be disclosed in a separate announcement when determined.

(b) Employee supervisors Mr. Guan Xingshe, Ms. Lin Zhihong, Ms. Feng Bing and Ms. Po Ying received compensation according to their positions as employees of the Bank and did not receive additional compensation as employee supervisors.

(c) During 2024 and 2023, there was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration.

(2) Five highest paid individuals

The five highest paid individuals in the Group for the related years are as follows:

	2024	2023
Salary	**15**	35
Discretionary bonuses	**27**	58
Employer's contribution to pension scheme and other benefits	**16**	13
Total	**58**	106

Emoluments of the above five highest paid individuals in the Group are within the following bands:

	2024	2023
CNY9,000,001 – 10,000,000	**1**	–
CNY10,000,001 – 11,000,000	**2**	–
CNY11,000,001 – 12,000,000	**–**	–
CNY12,000,001 – 13,000,000	**–**	–
CNY13,000,001 – 14,000,000	**1**	–
CNY14,000,001 – 15,000,000	**1**	–
CNY15,000,001 – 16,000,000	**–**	–
CNY16,000,001 – 17,000,000	**–**	–
CNY17,000,001 – 18,000,000	**–**	–
CNY18,000,001 – 19,000,000	**–**	–
CNY19,000,001 – 20,000,000	**–**	–
CNY20,000,001 – 21,000,000	**–**	2
CNY21,000,001 – 22,000,000	**–**	2
CNY22,000,001 – 23,000,000	**–**	–
CNY23,000,001 – 24,000,000	**–**	1
Total	**5**	5

Note: The five employees with the highest salary of the Group are all senior executives recruited locally by overseas subsidiaries or key positions of core business recruited locally by domestic subsidiaries.

During 2024 and 2023, no emolument was paid by the Group to any of the directors, supervisors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

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

14 INCOME TAX

	2024	2023
Current income tax		
– Enterprise income tax	**11,686**	5,604
– Hong Kong profits tax	**1,514**	802
– Other countries or regions	**727**	929
Subtotal	**13,927**	7,335
Deferred income tax (Note 24)	**(4,681)**	(889)
Total	**9,246**	6,446

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

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

	Note	**2024**	2023
Profit before tax		**103,475**	99,698
Tax calculated at statutory rate of 25%		**25,869**	24,924
Effects of different tax rates prevailing in other countries or regions		**(335)**	(73)
Effects of non-deductible expenses	(1)	**9,393**	6,554
Effects of non-taxable income	(2)	**(24,096)**	(23,746)
Adjustments for income tax filing of prior years		**(211)**	163
Others		**(1,374)**	(1,376)
Income tax		**9,246**	6,446

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

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

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For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

15 BASIC AND DILUTED EARNINGS PER SHARE

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

	2024	2023
Net profit attributable to shareholders of the parent company	93,586	92,728
Less: Dividends paid to preference shareholders	(1,832)	(1,832)
Interest paid to perpetual bond holders	(5,632)	(5,641)
Net profit attributable to holders of ordinary shares of the parent company	86,122	85,255
Weighted average number of ordinary shares in issue (expressed in millions) at the end of the year	74,263	74,263
Basic and diluted earnings per share (expressed in RMB per share)	1.16	1.15

For the calculation of basic earnings per share, a cash dividend of RMB1,832 million on preference shares and interests of RMB5,632 million on perpetual bond declared for the year was deducted from the amounts attributable to shareholders of the parent company. The conversion feature of preference shares may lead to the possible existence of contingently issuable ordinary shares. The triggering events of conversion did not occur for the year ended 31 December 2024, and therefore the conversion feature of preference shares has no effect on the calculation of the basic and diluted earnings per share.

16 CASH AND BALANCES WITH CENTRAL BANKS

	As at 31 December 2024	As at 31 December 2023
Cash	13,587	12,477
Mandatory reserve deposits	638,301	694,211
Surplus reserve deposits	64,534	190,073
Fiscal deposits	677	932
Accrued interest	255	329
Total	717,354	898,022

The Group is required to place statutory reserves with the PBOC and overseas central banks, including RMB and foreign currency deposit reserves and foreign exchange risk reserves for forward foreign exchange sales businesses, which are not allowed to be used in the Group's daily operations.

Surplus reserve deposits with central banks are mainly used for capital settlement, financial institution transfer, etc.

Reserve rate for deposits denominated in RMB of the Group's subsidiaries in Chinese Mainland is subject to relevant regulations of the PBOC.

Mandatory reserve rate for deposits with central banks of overseas countries and regions is subject to regulations of local regulatory bodies.

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

17 DUE FROM AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2024	As at 31 December 2023
Due from banks and other financial institutions		
– Banks and other financial institutions operating in Chinese Mainland	**75,260**	74,753
– Banks and other financial institutions operating outside Chinese Mainland	**57,728**	34,045
Accrued interest	**775**	425
Less: Allowance for impairment losses	**(568)**	(267)
Financial assets purchased under repurchase agreements		
– Securities	**235,114**	200,438
– Bills	**18,174**	499
Accrued interest	**23**	56
Less: Allowance for impairment losses	**(1,115)**	(602)
Placements with and loans to banks		
– Banks operating in Chinese Mainland	**79,495**	107,522
– Banks operating outside Chinese Mainland	**153,610**	115,803
Placements with and loans to other financial institutions		
– Placements with and loans to other financial institutions in Chinese Mainland	**283,633**	257,638
– Placements with and loans to other financial institutions outside Chinese Mainland	**69,457**	65,272
Accrued interest	**4,756**	5,740
Less: Allowance for impairment losses	**(2,300)**	(1,680)
Total	**974,042**	859,642

As at 31 December 2024 and 31 December 2023, due from banks and other financial institutions of the Group included pledged deposits, risk reserves and other deposits. The use of these deposits is restricted.

18 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

As at 31 December 2024	**Notional amount**	**Fair values**	
		Assets	**Liabilities**
Foreign exchange contracts	**5,556,881**	**63,072**	**(63,594)**
Interest rate contracts	**5,146,982**	**34,855**	**(20,498)**
Commodity contracts and others	**150,332**	**2,448**	**(1,381)**
Total amount of derivative financial instruments recognised	**10,854,195**	**100,375**	**(85,473)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

18 DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

As at 31 December 2023	Notional amount	Fair values	
		Assets	Liabilities
Foreign exchange contracts	4,437,857	36,040	(37,499)
Interest rate contracts	3,349,227	27,483	(11,509)
Commodity contracts and others	120,757	3,864	(1,967)
Total amount of derivative financial instruments recognised	7,907,841	67,387	(50,975)

(1) Fair value hedge

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

The gain and loss arising from the ineffective portion recognized in net trading gains were immaterial in 2024 and 2023.

	As at 31 December 2024			As at 31 December 2023			
	Notional amount	**Fair values**		Notional amount	Fair values		Line items in the statement of financial position
		Assets	**Liabilities**		Assets	Liabilities	
Interest rate contract	**250,693**	**10,985**	**(720)**	230,540	12,002	(898)	Derivative financial assets/liabilities

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

	2024	2023
Net gains or losses from fair value hedges:		
Hedging instruments	**(1,015)**	(4,669)
Hedged items attributable to the hedged risk	**1,008**	4,565
Total	**(7)**	(104)

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

	Up to 1 month	1 –3 months	3 –12 months	1 –5 years	Over 5 years	Total
As at 31 December 2024	**2,778**	**2,467**	**36,312**	**134,073**	**75,063**	**250,693**
As at 31 December 2023	1,279	7,715	14,762	132,865	73,919	230,540

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

18 DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(1) Fair value hedge *(Continued)*

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

	As at 31 December 2024				
	Carrying amount of hedged items		**Accumulated adjustments to the fair value of hedged item**		
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Line items in the statement of financial position**
Bonds	**225,633**	**–**	**(10,234)**	**–**	Financial investments at amortised cost/ Financial investments at FVOCI
Others	**15,535**	**(8,816)**	**11**	**(45)**	Due from and placements with banks and other financial institutions/Loans and advances to customers/Debt securities issued/Certificates of deposits issued
Total	**241,168**	**(8,816)**	**(10,223)**	**(45)**	

	As at 31 December 2023				
	Carrying amount of hedged items		Accumulated adjustments to the fair value of hedged item		
	Assets	Liabilities	Assets	Liabilities	Line items in the statement of financial position
Bonds	204,123	–	(10,967)	–	Financial investments at amortised cost/ Financial investments at FVOCI
Others	17,042	(884)	(10)	2	Due from and placements with banks and other financial institutions/Loans and advances to customers/Debt securities issued
Total	221,165	(884)	(10,977)	2	

(2) Cash flow hedge

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

18 DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(2) Cash flow hedge *(Continued)*

Gains and losses arising from the portion of hedge ineffectiveness recognised in cash flow hedges were not material in 2024 and 2023.

	As at 31 December 2024			As at 31 December 2023			
	Notional amount	**Fair values Assets**	**Fair values Liabilities**	Notional amount	Fair values Assets	Fair values Liabilities	Line items in the statement of financial position
Foreign exchange contract	**164,199**	**2,465**	**(2,061)**	148,892	1,225	(2,103)	Derivative financial assets/ liabilities
Interest rate contract	**32,851**	**291**	**(40)**	22,063	603	(22)	Derivative financial assets/ liabilities
Total	**197,050**	**2,756**	**(2,101)**	170,955	1,828	(2,125)	

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

	Up to 1 month	1 –3 months	3 –12 months	1 –5 years	Over 5 years	Total
As at 31 December 2024	**21,953**	**49,758**	**84,886**	**37,218**	**3,235**	**197,050**
As at 31 December 2023	13,911	43,152	78,265	32,117	3,510	170,955

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

Hedged items

	As at 31 December 2024		As at 31 December 2023	
	Assets	**Liabilities**	Assets	Liabilities
Foreign risk	**94,963**	**(105,654)**	34,461	(107,383)
Interest risk	**650**	**(30,877)**	1,422	(20,662)
Total	**95,613**	**(136,531)**	35,883	(128,045)

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

18 DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(2) Cash flow hedge *(Continued)*

Hedging instruments

	2024			
	Fair value changes on hedging instruments recognised in other comprehensive income	**Reclassifications from the cash flow hedge reserve to profit or loss**	**Line item in the statement of profit or loss including reclassifications**	**cash flow hedge reserve**
Foreign risk	**(1,652)**	**1,372**	**Net gains/(losses) arising from trading activities**	**2**
Interest risk	**316**	**42**	**Net gains/(losses) arising from trading activities**	**23**
Total	**(1,336)**	**1,414**		**25**

	2023			
	Fair value changes on hedging instruments recognised in other comprehensive income	Reclassifications from the cash flow hedge reserve to profit or loss	Line item in the statement of profit or loss including reclassifications	cash flow hedge reserve
Foreign risk	440	(85)	Net gains/(losses) arising from trading activities	(350)
Interest risk	385	18	Net gains/(losses) arising from trading activities	266
Total	825	(67)		(84)

19 LOANS AND ADVANCES TO CUSTOMERS

(1) Loans and advances to customers

	As at 31 December 2024	As at 31 December 2023
Loans and advances to customers		
– Carried at amortised cost	**8,239,732**	7,558,587
– Carried at FVOCI	**315,373**	398,479
– Carried at FVTPL	**17**	19
Less: Allowance for impairment losses	**(222,750)**	(203,775)
Accrued interest	**20,956**	21,380
Less: Allowance for impairment losses of accrued interest	**(2,197)**	(2,630)
Total	**8,351,131**	7,772,060

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

(2) Loans and advances to customers analysed by security type

	As at 31 December 2024	As at 31 December 2023
Unsecured loans	**3,308,339**	2,883,274
Guaranteed loans	**1,419,438**	1,288,963
Loans secured by collateral	**2,733,002**	2,904,861
Pledged loans	**1,094,343**	879,987
Total	**8,555,122**	7,957,085

(3) Movements of ECL allowance

Movements of ECL allowance – Loans and advances to customers at amortised cost:

	For the year ended 31 December 2024			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
As at 1 January 2024	**80,672**	**55,340**	**67,763**	**203,775**
Transfers:				
Transfer to Stage 1	***6,027***	***(5,822)***	***(205)***	**–**
Transfer to Stage 2	***(2,344)***	***3,871***	***(1,527)***	**–**
Transfer to Stage 3	***(371)***	***(16,181)***	***16,552***	**–**
Provision/(reversal)	**13,043**	**18,180**	**18,547**	**49,770**
Written-offs and disposals	**–**	**–**	**(36,269)**	**(36,269)**
Recovery of loans and advances written off in previous years	**–**	**–**	**6,197**	**6,197**
Others	**8**	**85**	**(816)**	**(723)**
As at 31 December 2024	**97,035**	**55,473**	**70,242**	**222,750**

	For the year ended 31 December 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023	68,795	45,385	61,998	176,178
Transfers:				
Transfer to Stage 1	*6,721*	*(5,464)*	*(1,257)*	–
Transfer to Stage 2	*(3,045)*	*7,082*	*(4,037)*	–
Transfer to Stage 3	*(598)*	*(12,526)*	*13,124*	–
Provision/(reversal)	8,735	20,655	24,014	53,404
Written-offs and disposals	–	–	(31,046)	(31,046)
Recovery of loans and advances written off in previous years	–	–	5,662	5,662
Others	64	208	(695)	(423)
As at 31 December 2023	80,672	55,340	67,763	203,775

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

19 LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

(3) Movements of ECL allowance *(Continued)*

Movements of ECL allowance – Loans and advances to customers at FVOCI:

	For the year ended 31 December 2024			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2024	2,281	191	62	2,534
Transfers:				
Transfer to Stage 1	–	–	–	–
Transfer to Stage 2	–	–	–	–
Transfer to Stage 3	–	–	–	–
Provision/(reversal)	(113)	367	2	256
Written-offs and disposals	–	–	(15)	(15)
Recovery of loans and advances written off in previous years	–	–	1	1
Others	–	–	(1)	(1)
As at 31 December 2024	2,168	558	49	2,775

	For the year ended 31 December 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023	1,522	240	79	1,841
Transfers:				
Transfer to Stage 1	–	–	–	–
Transfer to Stage 2	–	–	–	–
Transfer to Stage 3	–	–	–	–
Provision/(reversal)	759	(49)	23	733
Written-offs and disposals	–	–	(53)	(53)
Recovery of loans and advances written off in previous years	–	–	17	17
Others	–	–	(4)	(4)
As at 31 December 2023	2,281	191	62	2,534

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

19 LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

(4) Overdue loans analysed by security type

	As at 31 December 2024				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**19,178**	**14,206**	**3,704**	**690**	**37,778**
Guaranteed loans	**4,035**	**3,230**	**9,138**	**2,205**	**18,608**
Loans secured by collateral	**17,839**	**16,480**	**15,812**	**5,365**	**55,496**
Pledged loans	**1,337**	**1,769**	**2,477**	**633**	**6,216**
Total	**42,389**	**35,685**	**31,131**	**8,893**	**118,098**

	As at 31 December 2023				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	22,164	9,447	6,363	135	38,109
Guaranteed loans	2,851	9,326	7,081	1,549	20,807
Loans secured by collateral	14,614	12,731	8,898	4,618	40,861
Pledged loans	2,098	3,423	4,478	345	10,344
Total	41,727	34,927	26,820	6,647	110,121

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

20 FINANCIAL INVESTMENTS

	As at 31 December 2024	As at 31 December 2023
Financial investments at FVTPL		
– Listed in Hong Kong	**27,531**	33,898
– Listed outside Hong Kong	**192,392**	189,509
– Unlisted	**436,229**	418,875
Total	**656,152**	642,282
Financial investments at amortised cost		
– Listed in Hong Kong	**17,094**	22,977
– Listed outside Hong Kong	**2,453,720**	2,433,583
– Unlisted	**89,096**	93,268
Accrued interest	**25,418**	27,721
Less: Allowance for impairment losses	**(3,535)**	(3,638)
Total	**2,581,793**	2,573,911
Financial investments at FVOCI		
Debt investments at FVOCI		
– Listed in Hong Kong	**73,334**	68,428
– Listed outside Hong Kong	**879,028**	710,140
– Unlisted	**101,858**	85,366
Accrued interest	**10,401**	9,332
Subtotal	**1,064,621**	873,266
Equity investments at FVOCI		
– Listed in Hong Kong	**5,963**	3,765
– Listed outside Hong Kong	**5,243**	4,827
– Unlisted	**6,317**	6,091
Subtotal	**17,523**	14,683
Total	**1,082,144**	887,949

Debt securities traded in the China domestic inter-bank bond market are included in Listed outside Hong Kong.

The financial investments at fair value through profit or loss include financial assets held for trading and financial assets that cannot pass the SPPI test.

The Group designates part of non-trading equity investments as financial investments measured at FVOCI.

For the year ended 31 December 2024, the Group's cash dividends received from equity investments at FVOCI was RMB681 million (for the year ended 31 December 2023: RMB652 million). For the year ended 31 December 2024, the Group transferred accumulated losses from other comprehensive income to retained earnings as a result of the disposal of such equity investment for the year ended 31 December 2024, which amounted to RMB164 million (for the year ended 31 December 2023: accumulated gains RMB130 million).

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For the year ended 31 December 2024
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20 FINANCIAL INVESTMENTS *(Continued)*

Debt securities analysed by issuer are as follows:

	As at 31 December 2024	As at 31 December 2023
Financial investments at FVTPL		
– Governments and central banks	**143,402**	107,622
– Banks and other financial institutions	**74,812**	81,756
– Corporate entities	**21,370**	37,823
– Public sector entities	**51**	41
Total	**239,635**	227,242
Financial investments at amortised cost		
– Governments and central banks	**2,402,724**	2,325,862
– Banks and other financial institutions	**105,888**	130,444
– Corporate entities	**32,748**	44,057
– Public sector entities	**11,429**	17,768
Total	**2,552,789**	2,518,131
Debt investments at FVOCI		
– Governments and central banks	**572,816**	403,116
– Banks and other financial institutions	**323,758**	336,966
– Corporate entities	**149,553**	115,340
– Public sector entities	**18,494**	17,844
Total	**1,064,621**	873,266

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

20 FINANCIAL INVESTMENTS *(Continued)*

The movements in allowance for impairment losses of financial investments at amortised cost are summarised as follows:

	For the year ended 31 December 2024			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
As at 1 January 2024	**1,662**	**997**	**979**	**3,638**
Transfers:				
Transfer to Stage 1	***116***	***(116)***	***–***	***–***
Transfer to Stage 2	***(10)***	***10***	***–***	***–***
Transfer to Stage 3	***–***	***(7)***	***7***	***–***
Provision/(reversal)	**(263)**	**65**	**95**	**(103)**
Others	**(1)**	**–**	**1**	**–**
As at 31 December 2024	**1,504**	**949**	**1,082**	**3,535**

	For the year ended 31 December 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 31 December 2022	1,547	260	957	2,764
Changes in accounting policies	(8)	–	–	(8)
As at 1 January 2023	1,539	260	957	2,756
Transfers:				
Transfer to Stage 1	–	–	–	–
Transfer to Stage 2	*(6)*	*6*	–	–
Transfer to Stage 3	–	*(6)*	*6*	–
Provision/(reversal)	127	229	(311)	45
Others	2	508	327	837
As at 31 December 2023	1,662	997	979	3,638

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
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20 FINANCIAL INVESTMENTS *(Continued)*

The movements in allowance for impairment losses of debt investments at FVOCI are summarised as follows:

	For the year ended 31 December 2024			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
As at 1 January 2024	**1,094**	**23**	**1,314**	**2,431**
Transfers:				
Transfer to Stage 1	***21***	***(21)***	**–**	**–**
Transfer to Stage 2	***(6)***	***6***	**–**	**–**
Transfer to Stage 3	**–**	**–**	**–**	**–**
Provision/(reversal)	**256**	**72**	**73**	**401**
Write-offs during the year	**–**	**–**	**(727)**	**(727)**
Recovery of debt investments written off in previous years	**–**	**–**	**6**	**6**
Others	**3**	**–**	**23**	**26**
As at 31 December 2024	**1,368**	**80**	**689**	**2,137**

	For the year ended 31 December 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 31 December 2022	628	*13*	*890*	*1,531*
Changes in accounting policies	8	–	–	8
As at 1 January 2023	636	13	890	1,539
Transfers:				
Transfer to Stage 1	–	–	–	–
Transfer to Stage 2	*(3)*	*3*	–	–
Transfer to Stage 3	*(1)*	*(5)*	*6*	–
Provision/(reversal)	451	22	554	1,027
Write-offs during the year	–	–	(362)	(362)
Others	11	(10)	226	227
As at 31 December 2023	1,094	23	1,314	2,431

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

21 PRINCIPAL SUBSIDIARIES

Name of subsidiaries	Legal representative/ Principal	Registered capital	Nature of entity	Place of operation	Place of registration	Nature of business	Principal business	Proportion of shares held (%) Direct	Proportion of shares held (%) Indirect	Means of acquisition
Bank of Communications Financial Leasing Co., Ltd.	Xu Bin	RMB20,000,000,000	Limited liability company	Shanghai, China	Chinese Mainland	Financial industry	Financial leasing	100.00	–	Establishment
Bank of Communications International Trust Co., Ltd.	Tong Xuewei	RMB5,764,705,882	Limited liability company	Shanghai, China	Chinese Mainland	Financial industry	Trust investment	85.00	–	Investment
Bank of Communications Schroder Fund Management Co., Ltd.	Zhang Hongliang	RMB200,000,000	Limited liability company	Shanghai, China	Chinese Mainland	Financial industry	Fund management	65.00	–	Establishment
BOCOM Wealth Management Co., Ltd.	Zhang Hongliang	RMB8,000,000,000	Limited liability company	Shanghai, China	Chinese Mainland	Financial industry	Financial products issuing and financial consulting	100.00	–	Establishment
BOCOM MSIG Life Insurance Company Limited	Wang Qingyan	RMB5,100,000,000	Limited liability company	Shanghai, China	Chinese Mainland	Financial industry	Life Insurance	62.50	–	Investment
Bank of Communications Financial Assets Investment Co., Ltd.	Chen Wei	RMB15,000,000,000	Limited liability company	Shanghai, China	Chinese Mainland	Financial industry	Debt-to-equity swaps	100.00	–	Establishment
BOCOM International Holdings Company Limited	Tan Yueheng	HKD2,734,392,000	Foreign legal entity	Hong Kong, China	Hong Kong China	Financial industry	Securities dealing and brokerage	73.14	–	Establishment
China BOCOM Insurance Co., Ltd.	Zhang Jian	HKD400,000,000	Foreign legal entity	Hong Kong, China	Hong Kong China	Financial industry	General insurance and reinsurance	100.00	–	Establishment
Dayi BOCOM Xingmin Rural Bank Ltd.	Liu Yike	RMB230,000,000	Limited liability company	Sichuan, China	Chinese Mainland	Financial industry	Commercial banking	97.29	–	Establishment
Zhejiang Anji BOCOM Rural Bank Ltd.	Xu Tong	RMB180,000,000	Joint stock company	Zhejiang, China	Chinese Mainland	Financial industry	Commercial banking	51.00	–	Establishment
Xinjiang Shihezi BOCOM Rural Bank Company Ltd.	Fang Linhai	RMB150,000,000	Joint stock company	Xinjiang, China	Chinese Mainland	Financial industry	Commercial banking	51.00	–	Establishment
Qingdao Laoshan BOCOM Rural Bank Company Ltd.	Sheng Liang	RMB150,000,000	Joint stock company	Shandong, China	Chinese Mainland	Financial industry	Commercial banking	51.00	–	Establishment
Bank of Communications (Hong Kong) Limited	Meng Yu	HKD37,900,000,000	Foreign legal entity	Hong Kong, China	Hong Kong China	Financial industry	Commercial banking	100.00	–	Establishment
Bank of Communications (Luxemburg) Limited	Zhang Shuren	EUR350,000,000	Foreign legal entity	Luxembourg	Luxembourg	Financial industry	Commercial banking	100.00	–	Establishment
BOCOM Brazil Holding Company Ltda	Sun Xu	BRL700,000,000	Foreign legal entity	Rio de Janeiro, Brazil	Brazil	Non-financial industry	Investment	100.00	–	Establishment
BANCO BOCOM BBM S.A.	Alexandre Lowenkron	BRL469,300,389	Foreign legal entity	Rio de Janeiro, Brazil	Brazil	Financial industry	Commercial banking	–	99.65	Investment

As at 31 December 2024, the amount of non-controlling interests of these subsidiaries is insignificant to the Group.

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22 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As at 31 December 2024	As at 31 December 2023
Investments in associates		
Investment cost	**8,412**	6,474
Share of net profit of associates	**2,718**	2,204
Share of other equity changes of associates	**146**	103
Dividend income	**(474)**	(372)
Allowance for impairment losses	**(2)**	(2)
Subtotal	**10,800**	8,407
Investments in joint ventures	**801**	583
Total	**11,601**	8,990

The Group performed impairment tests on investments in associates and joint ventures. The recoverable amount of the associates and joint ventures is determined based on the discounted future cash flows of the associates and joint ventures. The cash flow projections are based on financial forecasts approved by management of the associates and joint ventures. The average growth rates, discount rate, and other assumptions adopted to forecast cash flows respectively reflect the specific risks associated with them.

The Group's investments in associates mainly include the investments in Jiangsu Changshu Rural Commercial Bank Co., Ltd., Bank of Tibet Co., Ltd., National Green Development Fund Co., Ltd., Guomin Pension&Insurance Co., Ltd. and National Integrated Circuit Industry Investment Fund Phase III Co., Ltd..

Jiangsu Changshu Rural Commercial Bank Co., Ltd. was incorporated in Changshu City, Jiangsu Province on 3 December 2001. The registered capital of the entity is RMB3,015 million, and the principal activities of the entity are banking activities. The Group held 9.01% of equity interest in this associate as at 31 December 2024 (31 December 2023: 9.01%).

Bank of Tibet Co., Ltd. was incorporated in Tibet Autonomous Region, PRC on 30 December 2011. The registered capital of the entity is RMB3,320 million, and the principal activities of the entity are banking activities. The Group held 10.60% of equity interest in this associate as at 31 December 2024 (31 December 2023: 10.60%).

National Green Development Fund Co., Ltd. was incorporated in Shanghai on 14 July 2020. The registered capital of the entity is RMB88,500 million, and the principal activities of the entity are fund management activities. The Group held 8.47% of equity interest in this associate as at 31 December 2024 (31 December 2023: 8.47%).

Guomin Pension&Insurance Co., Ltd. was incorporated in Beijing on 22 March 2022. The registered capital of the entity is RMB11,378 million, and the principal activities of the entity are pension insurance activities. The Group held 8.79% of equity interest in this associate as at 31 December 2024 (31 December 2023: 8.97%).

National Integrated Circuit Industry Investment Fund Phase III Co., Ltd. was incorporated in Beijing on 24 May 2024. The registered capital of the entity is RMB344,000 million, and the principal activities of the entity are fund management activities. The Group held 5.81% of equity interest in this associate as at 31 December 2024 (31 December 2023: Nil).

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

23 PROPERTY AND EQUIPMENT

	Buildings	Construction in progress	Equipments and transportation equipments	Equipments under operating leases	Total
Cost					
As at 1 January 2024	**78,239**	**2,042**	**31,801**	**206,036**	**318,118**
Additions	**287**	**449**	**3,628**	**39,814**	**44,178**
Construction in progress transfer in/(out)	**840**	**(840)**	**–**	**–**	**–**
Transfer from investment properties	**6**	**–**	**–**	**–**	**6**
Decreases	**(652)**	**(15)**	**(1,839)**	**(9,130)**	**(11,636)**
As at 31 December 2024	**78,720**	**1,636**	**33,590**	**236,720**	**350,666**
Accumulated depreciation					
As at 1 January 2024	**(34,053)**	**–**	**(22,466)**	**(39,499)**	**(96,018)**
Charge for the year	**(2,783)**	**–**	**(3,932)**	**(9,872)**	**(16,587)**
Decreases	**294**	**–**	**1,721**	**4,090**	**6,105**
As at 31 December 2024	**(36,542)**	**–**	**(24,677)**	**(45,281)**	**(106,500)**
Allowance for impairment losses					
As at 1 January 2024	**–**	**(16)**	**–**	**(4,333)**	**(4,349)**
Charge for the year	**–**	**–**	**–**	**(1,409)**	**(1,409)**
Decrease	**–**	**–**	**–**	**541**	**541**
As at 31 December 2024	**–**	**(16)**	**–**	**(5,201)**	**(5,217)**
Net book value					
As at 31 December 2024	**42,178**	**1,620**	**8,913**	**186,238**	**238,949**

	Buildings	Construction in progress	Equipments and transportation equipments	Equipments under operating leases	Total
Cost					
As at 1 January 2023	75,563	3,515	30,312	175,378	284,768
Additions	1,521	631	3,881	42,935	48,968
Construction in progress transfer in/(out)	2,033	(2,033)	–	–	–
Transfer from investment properties	701	–	–	–	701
Decreases	(1,579)	(71)	(2,392)	(12,277)	(16,319)
As at 31 December 2023	78,239	2,042	31,801	206,036	318,118
Accumulated depreciation					
As at 1 January 2023	(32,070)	–	(21,087)	(33,294)	(86,451)
Charge for the year	(2,770)	–	(3,553)	(9,322)	(15,645)
Decreases	787	–	2,174	3,117	6,078
As at 31 December 2023	(34,053)	–	(22,466)	(39,499)	(96,018)
Allowance for impairment losses					
As at 1 January 2023	–	(16)	–	(4,132)	(4,148)
Charge for the year	–	–	–	(1,007)	(1,007)
Decrease	–	–	–	806	806
As at 31 December 2023	–	(16)	–	(4,333)	(4,349)
Net book value					
As at 31 December 2023	44,186	2,026	9,335	162,204	217,751

As at 31 December 2024, the net book value of the operating leased aircrafts, vessels and equipments used as collateral for borrowings was RMB59,710 million (31 December 2023: RMB64,550 million).

As at 31 December 2024, the property and equipment with re-registration procedure not completed amounted to RMB172 million (31 December 2023: RMB173 million), this registration process does not affect the rights of the Group to these assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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24 DEFERRED INCOME TAX

Deferred income taxes for transactions in PRC are calculated on all temporary differences using an effective tax rate of 25% for the year ended 31 December 2024 (for the year ended 31 December 2023: 25%). Deferred income taxes for transactions in Hong Kong are calculated on all temporary differences using an effective tax rate of 16.5% (for the year ended 31 December 2023: 16.5%).

Deferred income tax assets and liabilities are attributable to the following items:

	As at 31 December 2024		As at 31 December 2023	
	Deductible/ (taxable) temporary differences	**Deferred income tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets				
Allowance for impairment of assets	**168,576**	**42,144**	143,596	35,899
Changes in fair value of derivative financial liabilities	**84,100**	**21,025**	53,312	13,328
Provisions	**10,308**	**2,577**	9,524	2,381
Changes in fair value of financial instruments at FVTPL	**10,756**	**2,689**	8,264	2,066
Changes in fair value of financial assets at FVOCI	**5,824**	**1,456**	6,456	1,614
Others	**24,884**	**6,221**	20,948	5,237
Subtotal	**304,448**	**76,112**	242,100	60,525
Deferred income tax liabilities				
Changes in fair value of derivative financial assets	**(91,584)**	**(22,896)**	(64,920)	(16,230)
Changes in fair value of financial instruments at FVTPL	**(10,064)**	**(2,516)**	(2,704)	(676)
Changes in fair value of financial assets at FVOCI	**(28,364)**	**(7,091)**	(2,120)	(530)
Others	**(20,724)**	**(5,181)**	(20,468)	(5,117)
Subtotal	**(150,736)**	**(37,684)**	(90,212)	(22,553)
Net deferred income tax assets	**153,712**	**38,428**	151,888	37,972

The above net deferred income tax assets are disclosed separately on the statements of financial position based on different taxation authorities and entities:

	As at 31 December 2024	As at 31 December 2023
Deferred income tax assets	**42,752**	40,379
Deferred income tax liabilities	**(4,324)**	(2,407)

	2024	2023
Net opening balance	**37,972**	37,726
Net change in deferred income tax recognised in income tax expense in the current year	**4,681**	889
Net changes in deferred income tax recognised in other comprehensive income in the current year	**(4,225)**	(643)
Net ending balance	**38,428**	37,972

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

25 OTHER ASSETS

	Note	**As at 31 December 2024**	As at 31 December 2023
Accounts receivable and temporary payments		**90,410**	38,582
Less: Allowance for impairment losses	(1)	**(2,038)**	(2,752)
Advance payments		**17,978**	15,734
Precious metal		**8,231**	9,410
Right-of-use assets	(2)	**6,674**	6,653
Investment properties	(3)	**5,456**	5,525
Intangible assets	(4)	**2,894**	2,715
Interest receivable	(5)	**2,345**	2,003
Land use rights and others		**1,947**	1,913
Refundable deposits		**1,208**	1,161
Long-term deferred expenses		**1,057**	1,191
Foreclosed assets		**523**	945
Goodwill	(6)	**399**	415
Unsettled assets		**30**	31
Others		**7,310**	8,573
Total		**144,424**	92,099

(1) Allowance for impairment losses

	As at 1 January 2024	**Amounts accrued**	**Reversal**	**Written-offs**	**Transfers in**	**Recoveries after written-offs**	**Others**	**As at 31 December 2024**
Accounts receivable and temporary prepayments	**(2,752)**	**(6,743)**	**6,679**	**871**	**–**	**(108)**	**15**	**(2,038)**

	As at 1 January 2023	Amounts accrued	Reversal	Written-offs	Transfers in	Recoveries after written-offs	Others	As at 31 December 2023
Accounts receivable and temporary prepayments	(3,003)	(5,250)	4,183	659	(3)	(94)	756	(2,752)

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25 OTHER ASSETS *(Continued)*

(2) Right-of-use assets

	As at 31 December 2024	As at 31 December 2023
Cost:		
Opening balance	**13,777**	14,330
Additions	**2,570**	2,496
Decreases	**(2,448)**	(3,049)
As at the end of the year	**13,899**	13,777
Accumulated depreciation:		
Opening balance	**(7,124)**	(7,399)
Additions	**(2,195)**	(2,369)
Decreases	**2,094**	2,644
As at the end of the year	**(7,225)**	(7,124)
Net book value	**6,674**	6,653
Lease liabilities	**6,539**	6,501

As at 31 December 2024, committed by leases but not yet commenced amount to RMB108 million (as at 31 December 2023: RMB89 million).

(3) Investment properties

	As at 1 January 2024	**Decreases of the year**	**Property revaluation**	**Exchange differences**	**As at 31 December 2024**
Investment properties	**5,525**	**(6)**	**(79)**	**16**	**5,456**

	As at 1 January 2023	Decreases of the year	Property revaluation	Exchange differences	As at 31 December 2023
Investment properties	6,387	(701)	(176)	15	5,525

The Group's investment properties are located in active real estate markets. The external appraisers make reasonable estimation of fair value using market prices and other related information of the similar properties.

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

25 OTHER ASSETS *(Continued)*

(3) Investment properties *(Continued)*

As at 31 December 2024 and 31 December 2023, fair value hierarchies of the investment properties of the Group are as follows:

	Level 1	**Level 2**	**Level 3**	**As at 31 December 2024**
Commercial property units located in Hong Kong	**–**	**–**	**639**	**639**
Commercial property units located outside Hong Kong	**–**	**–**	**4,817**	**4,817**

	Level 1	Level 2	Level 3	As at 31 December 2023
Commercial property units located in Hong Kong	–	–	708	708
Commercial property units located outside Hong Kong	–	–	4,817	4,817

The valuation of investment properties was performed by independent qualified professional valuers not connected to the Group. Valuation methodologies include “Rental Income Approach” and “Market Approach”. The inputs to these models mainly include growth rate of rental, vacancy rate, future rent income years, capitalisation rate and unit price.

(4) Intangible assets

	Computer software
Cost	
As at 1 January 2024	**6,412**
Additions	**825**
Disposals	**(11)**
As at 31 December 2024	**7,226**
Accumulated amortization	
As at 1 January 2024	**(3,697)**
Charge for the year	**(639)**
Disposals	**4**
As at 31 December 2024	**(4,332)**
Net book value	**2,894**

	Computer software
Cost	
As at 1 January 2023	5,116
Additions	1,303
Disposals	(7)
As at 31 December 2023	6,412
Accumulated amortization	
As at 1 January 2023	(3,162)
Charge for the year	(542)
Disposals	7
As at 31 December 2023	(3,697)
Net book value	2,715

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

25 OTHER ASSETS *(Continued)*

(5) The interest receivable account only reflects the interest for relevant financial instruments which is due but not received on balance sheet date.

(6) Goodwill

	As at 1 January 2024	Addition during the year	Decrease during the year	Exchange differences	As at 31 December 2024
Bank of Communications International Trust Co., Ltd.	**200**	**–**	**–**	**–**	**200**
BOCOM MSIG Life Insurance Company Limited	**122**	**–**	**–**	**–**	**122**
BANCO BOCOM BBM S.A.	**93**	**–**	**–**	**(16)**	**77**
Total	**415**	**–**	**–**	**(16)**	**399**

	As at 1 January 2023	Addition during the year	Decrease during the year	Exchange differences	As at 31 December 2023
Bank of Communications International Trust Co., Ltd.	200	–	–	–	200
BOCOM MSIG Life Insurance Company Limited	122	–	–	–	122
BANCO BOCOM BBM S.A.	85	–	–	8	93
Total	407	–	–	8	415

At each end of year, the Group performed impairment tests on goodwill. In the test, the Group compares the book value of cash-generating unit (CGU) or CGUs (including goodwill) with the recoverable amount. If the recoverable amount is less than the book value, the related difference is recognised in profit or loss.

The Group calculates the recoverable amount of CGU and CGUs using cash flow models based on the management's approved financial forecasts and fixed growth rates afterwards.

As indicated by the impairment tests, goodwill arising from business combinations is not impaired and therefore, no impairment loss is recognised.

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

26 DUE TO AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2024	As at 31 December 2023
Borrowing from central banks	**269,482**	523,905
Accrued interest	**3,798**	6,205
Due to banks		
– Banks operating in Chinese Mainland	**286,467**	287,427
– Banks operating outside Chinese Mainland	**5,215**	6,139
Due to other financial institutions		
– Other financial institutions operating in Chinese Mainland	**774,903**	831,249
– Other financial institutions operating outside Chinese Mainland	**5,371**	5,069
Accrued interest	**1,618**	3,297
Placements from banks		
– Banks operating in Chinese Mainland	**326,066**	255,733
– Banks operating outside Chinese Mainland	**180,662**	201,452
Placements from other financial institutions		
– Other financial institutions operating in Chinese Mainland	**1,000**	1,500
– Other financial institutions operating outside Chinese Mainland	**13,376**	11,479
Accrued interest	**2,583**	2,807
Financial assets sold under repurchase agreements		
Securities	**544,484**	285,176
Bills	**15,698**	2,437
Accrued interest	**728**	662
Total	**2,431,451**	2,424,537

27 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2024	As at 31 December 2023
Certificates of deposit issued	**37,516**	41,187
Financial liabilities related to precious metal contracts	**4,372**	2,697
Notes issued	**208**	692
Short position of securities held for trading	**321**	103
Others (1)	**7,837**	11,878
Total	**50,254**	56,557

(1) As at 31 December 2024 and 31 December 2023, others mainly are liabilities of consolidated structured entities and shares held by other parties rather than the Group.

For the year ended 31 December 2024 and the year ended 31 December 2023, there were no significant changes in the fair value of the Group's financial liabilities designated at fair value through profit or loss that were attributable to the changes in credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

28 DEPOSITS FROM CUSTOMERS

	As at 31 December 2024	As at 31 December 2023
Corporate demand deposits	**1,961,964**	2,050,524
Corporate time deposits	**2,938,296**	2,991,467
Personal demand deposits	**949,259**	884,746
Personal time deposits	**2,780,288**	2,473,410
Other deposits	**3,436**	3,240
Deposits from customers	**8,633,243**	8,403,387
Accrued interest	**167,092**	147,828
Total	**8,800,335**	8,551,215

As at 31 December 2024, deposits from customers comprised deposits pledged as collateral of RMB349,533 million (as at 31 December 2023: RMB344,014 million).

29 CERTIFICATES OF DEPOSITS ISSUED

Certificates of deposits at year end were issued by Head office, the Bank's overseas branches and subsidiaries are measured at amortised cost.

30 DEBT SECURITIES ISSUED

	Note	**As at 31 December 2024**	As at 31 December 2023
Carried at amortised cost:			
Bonds	(1)	**402,609**	327,009
Tier-2 capital bonds	(2)	**253,180**	227,067
Subordinated bonds	(3)	**4,800**	4,800
Accrued interest		**7,539**	7,735
Subtotal		**668,128**	566,611
Carried at fair value:			
Bonds	(1)	**23,120**	25,564
Total		**691,248**	592,175

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

30 DEBT SECURITIES ISSUED *(Continued)*

(1) Bonds

Detailed information of bonds held at amortised cost is as follows:

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Ending balance	Opening balance
The Bank								
21 Bocom Micro Small Enterprises Bond	RMB	Chinese Mainland	3.40	40,000	2021/04/06	3 years	–	40,000
22 Bocom Micro Small Enterprises Bond 01	RMB	Chinese Mainland	2.75	30,000	2022/06/15	3 years	30,000	29,999
22 Bocom Green Financial Bond	RMB	Chinese Mainland	2.42	20,000	2022/08/05	3 years	20,000	19,999
22 Bocom Micro Small Enterprises Bond 02	RMB	Chinese Mainland	2.98	30,000	2022/12/09	3 years	29,999	29,999
22 Bocom Green Financial Bond 02	RMB	Chinese Mainland	2.96	10,000	2022/12/09	3 years	10,000	10,000
23 Bocom Micro Small Enterprises Bond 01	RMB	Chinese Mainland	2.80	30,000	2023/03/27	3 years	29,999	29,999
23 Bocom Green Financial Bond 01	RMB	Chinese Mainland	2.77	30,000	2023/04/25	3 years	29,999	29,999
23 Bocomm 01	RMB	Chinese Mainland	2.59	38,000	2023/07/18	3 years	37,999	37,999
23 Bocomm 02	RMB	Chinese Mainland	2.70	30,000	2023/09/22	3 years	29,999	29,999
24 Bocomm 01	RMB	Chinese Mainland	2.20	25,000	2024/05/23	3 years	24,999	–
24 Bocomm Green Financial Bond 01	RMB	Chinese Mainland	2.14	5,000	2024/05/23	3 years	5,000	–
24 Bocomm 02BC	RMB	Chinese Mainland	1.95	30,000	2024/09/25	3 years	29,999	–
24 Bocomm 03BC	RMB	Chinese Mainland	2.14	20,000	2024/10/28	3 years	19,999	–
24 Bocomm TLAC non-capital bond 01(BC)	RMB	Chinese Mainland	2.11	30,000	2024/11/25	4 years	29,998	–
20 Hong Kong medium-term notes 06	USD	Hong Kong, China	3ml+0.90	400	2020/07/20	5 years	2,876	2,831
20 Hong Kong medium-term notes 07	USD	Hong Kong, China	1.20	800	2020/09/10	5 years	5,749	5,654
23 Hong Kong medium-term notes 04	USD	Hong Kong, China	SOFR+0.65	60	2023/06/29	3 years	431	424
23 Hong Kong medium-term notes 05	USD	Hong Kong, China	SOFR+0.65	20	2023/06/29	3 years	144	141
23 Hong Kong medium-term notes 06	USD	Hong Kong, China	SOFR+0.65	50	2023/06/29	3 years	359	353
23 Hong Kong medium-term notes 07	USD	Hong Kong, China	SOFR+0.65	40	2023/06/29	3 years	287	283
23 Hong Kong medium-term notes 08	USD	Hong Kong, China	SOFR+0.65	15	2023/06/29	3 years	108	106
23 Hong Kong medium-term notes 12	USD	Hong Kong, China	SOFR+0.60	475	2023/08/30	3 years	3,415	3,362
BOCOM Float 11/13/24	USD	Hong Kong, China	SOFR+0.323	490	2023/11/15	364 days	–	3,488
BOCOM Float Green 07/03/25	USD	Hong Kong, China	SOFR+0.3	90	2024/07/05	363 days	653	–
BOCOM Float 07/03/25	USD	Hong Kong, China	SOFR+0.3	400	2024/07/05	363 days	2,902	–
24 Hong Kong medium-term notes 02	USD	Hong Kong, China	SOFR+0.55	550	2024/08/01	3 years	3,955	–
24 Hong Kong medium-term notes 03	USD	Hong Kong, China	4.00	100	2024/08/20	3 years	708	–
24 Hong Kong medium-term notes 04	USD	Hong Kong, China	4.10	102	2024/08/28	3 years	724	–
24 Hong Kong medium-term notes 06	USD	Hong Kong, China	SOFR+0.57	300	2024/12/11	3 years	2,157	–
P14JHTP1D	RMB	Taiwan, China	4.00	200	2014/12/04	10 years	–	196
Subtotal							352,458	274,831

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

30 DEBT SECURITIES ISSUED *(Continued)*

(1) Bonds *(Continued)*

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Ending balance	Opening balance
Subsidiaries								
20 Financial Investing 02	RMB	Chinese Mainland	2.80	7,000	2020/03/11	5 years	7,000	6,997
21 Leasing 01	RMB	Chinese Mainland	3.62	4,000	2021/03/01	3 years	–	4,000
21 Leasing 02	RMB	Chinese Mainland	3.45	3,000	2021/04/22	3 years	–	2,629
22 Pearl notes	RMB	Chinese Mainland	2.90	2,400	2022/12/15	3 years	1,683	1,680
23 Bocomm Leasing Green Bond 01	RMB	Chinese Mainland	2.80	3,000	2023/11/09	3 years	2,995	2,995
23 Bocomm Leasing 01	RMB	Chinese Mainland	2.88	3,000	2023/12/08	3 years	2,995	2,992
24 Bocomm Leasing 01	RMB	Chinese Mainland	2.59	3,000	2024/02/01	3 years	2,995	–
24 Bocomm Leasing 02	RMB	Chinese Mainland	2.24	2,000	2024/05/16	3 years	1,996	–
24 Bocomm Leasing Green Bond 01	RMB	Chinese Mainland	2.10	1,500	2024/06/18	3 years	1,467	–
24 Bocomm Leasing Green Bond 02BC	RMB	Chinese Mainland	1.95	1,500	2024/09/23	3 years	1,497	–
23 RMB Private Bond 01	RMB	Hong Kong, China	3.50	1,000	2023/03/07	2 years	1,000	999
23 CNY medium-term notes 01	RMB	Hong Kong, China	3.00	760	2023/07/26	3 years	759	758
23 CNY medium-term notes 02	RMB	Hong Kong, China	3.50	400	2023/10/18	1 years	–	400
23 CNY medium-term notes 03	RMB	Hong Kong, China	3.30	700	2023/10/20	3 years	698	698
23 CNY medium-term notes 04	RMB	Hong Kong, China	3.50	400	2023/11/20	3 years	399	399
23 CNY medium-term notes 05	RMB	Hong Kong, China	3.35	300	2023/12/01	3 years	300	300
24 CNY medium-term notes 01	RMB	Hong Kong, China	3.00	360	2024/03/14	3 years	360	–
24 CNY medium-term notes 02	RMB	Hong Kong, China	3.05	300	2024/07/24	3 years	300	–
Azure Nova	USD	Hong Kong, China	4.25	250	2017/03/21	10 years	1,794	1,767
10 Year USD bond	USD	Hong Kong, China	4.00	250	2018/01/25	10 years	1,789	1,760
19 USD medium-term notes 02	USD	Hong Kong, China	4.375	700	2019/01/22	5 years	–	3,587
19 USD medium-term notes 04	USD	Hong Kong, China	3M Synthetic Libor+1.175	400	2019/09/05	5 years	–	1,251
19 USD medium-term notes 05	USD	Hong Kong, China	2.625	200	2019/09/05	5 years	–	804
19 USD medium-term notes 07	USD	Hong Kong, China	3M Synthetic Libor+1.075	600	2019/12/10	5 years	–	1,753
20 USD medium-term notes 01	USD	Hong Kong, China	SOFR+ 1.21161%	500	2020/03/02	5 years	1,923	1,895
20 USD medium-term notes 04	USD	Hong Kong, China	SOFR+ 1.96161%	450	2020/07/14	5 years	1,517	1,492
21 USD medium-term notes 01	USD	Hong Kong, China	1.125	500	2021/06/18	3 years	–	2,082
21 Bocomm International 01	USD	Hong Kong, China	1.75	500	2021/06/22	5 years	3,309	3,257
23 USD medium-term notes 03	USD	Hong Kong, China	5.50	450	2023/03/10	1 year	–	3,184
23 USD medium-term notes 05	USD	Hong Kong, China	5.55	55	2023/03/15	1 year	–	–
23 USD medium-term notes 06	USD	Hong Kong, China	5.50	50	2023/03/15	1 year	–	19
23 USD medium-term notes 07	USD	Hong Kong, China	5.00	37	2023/03/28	10 months	–	261
23 USD medium-term notes 08	USD	Hong Kong, China	5.50	115	2023/06/21	11 months	–	812
23 USD medium-term notes 09	USD	Hong Kong, China	5.50	30	2023/07/18	10 months	–	212
23 USD medium-term notes 10	USD	Hong Kong, China	SOFR+1.00	240	2023/12/20	3 years	715	706
24 USD medium-term notes 01	USD	Hong Kong, China	SOFR+0.92	150	2024/02/26	3 years	374	–
24 USD medium-term notes 02	USD	Hong Kong, China	SOFR+0.92	135	2024/03/04	3 years	970	–
24 USD medium-term notes 03	USD	Hong Kong, China	5.20	30	2024/05/17	3 years	216	–
24 USD medium-term notes 04	USD	Hong Kong, China	SOFR+0.75	100	2024/05/28	3 years	719	–

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

30 DEBT SECURITIES ISSUED *(Continued)*

(1) Bonds *(Continued)*

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Ending balance	Opening balance
24 USD medium-term notes 05	USD	Hong Kong, China	5.00	300	2024/06/26	3 years	1,697	–
24 USD medium-term notes 06	USD	Hong Kong, China	SOFR+0.68	650	2024/06/26	3 years	3,731	–
24 USD medium-term notes 08	USD	Hong Kong, China	SOFR+0.75	400	2024/08/23	3 years	2,388	–
24 USD medium-term notes 09	USD	Hong Kong, China	4.50	250	2024/08/23	3 years	1,245	–
21 HKD medium-term notes 02	HKD	Hong Kong, China	1.07	775	2021/09/27	3 years	–	702
23 HKD medium-term notes 01	HKD	Hong Kong, China	4.85	775	2023/03/08	1 year	–	702
23 HKD medium-term notes 02	HKD	Hong Kong, China	4.85	385	2023/03/10	1 year	–	349
24 HKD medium-term notes 01	HKD	Hong Kong, China	SOFR+0.75	368	2024/05/29	3 years	341	–
24 HKD medium-term notes 03	HKD	Hong Kong, China	4.15	450	2024/07/29	3 years	417	–
19 Brazil bonds	BRL	Brazil	110%SELIC	200	2019/01/30	5 years	–	57
22 Brazil bonds 01	BRL	Brazil	CDI + 2.60	270	2022/02/07	10 years	323	390
22 Brazil bonds 02	BRL	Brazil	CDI + 2.40	200	2022/11/29	10 years	239	289
Subtotal							50,151	52,178
Total							402,609	327,009

Detailed information of bonds held at fair value is as follows:

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Fair value at the end of the year	Fair value at the beginning of the year
The Bank								
21 Hong Kong medium-term notes 02	RMB	Hong Kong, China	3.15	1,000	2021/12/13	3 years	–	1,001
22 Hong Kong medium-term notes 02	RMB	Hong Kong, China	3.20	2,800	2022/03/21	2 years	–	2,818
22 Hong Kong medium-term notes 04	RMB	Hong Kong, China	3.05	1,420	2022/11/30	2 years	–	1,421
23 Hong Kong medium-term notes 02	RMB	Hong Kong, China	2.97	3,800	2023/02/28	2 years	3,784	3,826
24 Hong Kong medium-term notes 01	RMB	Hong Kong, China	2.83	800	2024/08/01	3 years	806	–
24 Hong Kong medium-term notes 07	RMB	Hong Kong, China	2.38	3,600	2024/12/11	2 years	3,554	–
22 Hong Kong medium-term notes 03	USD	Hong Kong, China	2.375	400	2022/03/21	3 years	2,879	2,766
22 Hong Kong medium-term notes 05	USD	Hong Kong, China	4.75	200	2022/11/30	3 years	1,441	1,417
23 Hong Kong medium-term notes 03	USD	Hong Kong, China	4.875	600	2023/02/28	3 years	4,394	4,334
23 Hong Kong medium-term notes 09	USD	Hong Kong, China	4.50	50	2023/06/26	5 years	356	355
23 Hong Kong medium-term notes 10	USD	Hong Kong, China	4.50	40	2023/06/26	5 years	285	284
23 Hong Kong medium-term notes 11	USD	Hong Kong, China	4.50	50	2023/06/26	5 years	356	355
23 Hong Kong medium-term notes 13	USD	Hong Kong, China	SOFR+0.60	25	2023/08/30	3 years	181	179
19 Hong Kong medium-term notes	HKD	Hong Kong, China	2.85	3,500	2019/03/21	5 years	–	3,231
22 Hong Kong medium-term notes 01	HKD	Hong Kong, China	1.80	1,200	2022/03/21	2 years	–	1,086
23 Hong Kong medium-term notes 01	HKD	Hong Kong, China	4.50	2,700	2023/02/28	2 years	2,541	2,491
24 Hong Kong medium-term notes 05	HKD	Hong Kong, China	4.08	2,700	2024/08/01	2 years	2,543	–
Total							23,120	25,564

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30 DEBT SECURITIES ISSUED *(Continued)*

(2) Tier 2 capital bonds

Detailed information of Tier 2 capital bonds is disclosed as follows:

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Note	Ending balance	Opening balance
The Bank									
19 BoComm 01	RMB	Chinese Mainland	4.10	30,000	2019/08/14	10 years	(a)	–	29,998
19 BoComm 02	RMB	Chinese Mainland	4.49	10,000	2019/08/14	15 years	(b)	9,999	9,999
20 BoComm	RMB	Chinese Mainland	3.24	40,000	2020/05/19	10 years	(c)	39,997	39,997
21 BoComm	RMB	Chinese Mainland	3.65	30,000	2021/09/23	10 years	(d)	29,999	29,999
22 BoComm 01	RMB	Chinese Mainland	3.45	30,000	2022/02/23	10 years	(e)	29,999	29,999
22 BoComm 02A	RMB	Chinese Mainland	3.03	37,000	2022/11/11	10 years	(f)	36,999	36,999
22 BoComm 02B	RMB	Chinese Mainland	3.36	13,000	2022/11/11	15 years	(g)	12,999	12,999
23 BoComm 01A	RMB	Chinese Mainland	3.30	15,000	2023/11/15	10 years	(h)	14,999	14,999
23 BoComm 01B	RMB	Chinese Mainland	3.40	15,000	2023/11/15	15 years	(i)	15,000	15,000
24 BoComm 01A	RMB	Chinese Mainland	2.45	15,000	2024/04/26	10 years	(j)	15,000	–
24 BoComm 01B	RMB	Chinese Mainland	2.60	11,000	2024/04/26	15 years	(k)	11,000	–
24 BoComm 02A	RMB	Chinese Mainland	2.18	20,000	2024/07/24	10 years	(l)	19,999	–
24 BoComm 02B	RMB	Chinese Mainland	2.37	10,000	2024/07/24	15 years	(m)	10,000	–
Subtotal								245,990	219,989
Subsidiaries									
21 BoComm Hong Kong	USD	Hong Kong, China	2.304	1,000	2021/07/08	10 years	(n)	7,190	7,078
Subtotal								7,190	7,078
Total								253,180	227,067

(a) The Group had exercised the redemption right and redeemed 19 BoComm 01 at the par value as a whole on 16 August 2024.

(b) The Group has an option to redeem 19 BoComm 02 at the par value partially or as a whole on 16 August 2029, the last day of the interest-bearing year with early redemption option embedded, provided that the NFRA's permission is acquired and the Group fulfills the redemption requirements as agreed in the offering documents.

(c) The Group has an option to redeem 20 BoComm at the par value partially or as a whole on 21 May 2025, the last day of the interest-bearing year with early redemption option embedded, provided that the NFRA's permission is acquired and the Group fulfills the redemption requirements as agreed in the offering documents.

(d) The Group has an option to redeem 21 BoComm at the par value partially or as a whole on 27 September 2026, the last day of the interest-bearing year with early redemption option embedded, provided that the NFRA's permission is acquired and the Group fulfills the redemption requirements as agreed in the offering documents.

(e) The Group has an option to redeem 22 BoComm 01 at the par value partially or as a whole on 25 February 2027, the last day of the interest-bearing year with early redemption option embedded, provided that the NFRA's permission is acquired and the Group fulfills the redemption requirements as agreed in the offering documents.

(f) The Group has an option to redeem 22 BoComm 02A at the par value partially or as a whole on 15 November 2027, the last day of the interest-bearing year with early redemption option embedded, provided that the NFRA's permission is acquired and the Group fulfills the redemption requirements as agreed in the offering documents.

30 DEBT SECURITIES ISSUED *(Continued)*

(2) Tier 2 capital bonds *(Continued)*

(g) The Group has an option to redeem 22 BoComm 02B at the par value partially or as a whole on 15 November 2032, the last day of the interest-bearing year with early redemption option embedded, provided that the NFRA's permission is acquired and the Group fulfills the redemption requirements as agreed in the offering documents.

(h) The Group has an option to redeem 23 BoComm 01A at the par value partially or as a whole on 17 November 2028, the last day of the interest-bearing year with early redemption option embedded, provided that the NFRA's permission is acquired and the Group fulfills the redemption requirements as agreed in the offering documents.

(i) The Group has an option to redeem 23 BoComm 01B at the par value partially or as a whole on 17 November 2033, the last day of the interest-bearing year with early redemption option embedded, provided that the NFRA's permission is acquired and the Group fulfills the redemption requirements as agreed in the offering documents.

(j) The Group has an option to redeem 24 BoComm 01A at the par value partially or as a whole on 29 April 2029, the last day of the interest-bearing year with early redemption option embedded, provided that the NFRA's permission is acquired and the Group fulfills the redemption requirements as agreed in the offering documents.

(k) The Group has an option to redeem 24 BoComm 01B at the par value partially or as a whole on 29 April 2034, the last day of the interest-bearing year with early redemption option embedded, provided that the NFRA's permission is acquired and the Group fulfills the redemption requirements as agreed in the offering documents.

(l) The Group has an option to redeem 24 BoComm 02A at the par value partially or as a whole on 26 July 2029, the last day of the interest-bearing year with early redemption option embedded, provided that the NFRA's permission is acquired and the Group fulfills the redemption requirements as agreed in the offering documents.

(m) The Group has an option to redeem 24 BoComm 02B at the par value partially or as a whole on 26 July 2034, the last day of the interest-bearing year with early redemption option embedded, provided that the NFRA's permission is acquired and the Group fulfills the redemption requirements as agreed in the offering documents.

(n) The Group has an option to redeem 21 BoComm Hong Kong as a whole on 8 July 2026. If the issuer does not exercise the redemption right by 8 July 2026, the interest rate will be readjusted based on the 5-year U.S. Treasury rate plus 140 basis points initial rate differential.

These tier-2 capital bonds have the write-down feature, which allows the Group to write down the partial or entire principals of the bonds when regulatory triggering events as stipulated in the offering documents occur and any accumulated unpaid interest would become not payable. These bonds are regarded as tier-2 capital without any guarantees provided and the proceeds of the debts cannot be used for compensating daily operating loss of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

30 DEBT SECURITIES ISSUED *(Continued)*

(3) Subordinated bonds

Detailed information of subordinated bonds is disclosed as follows:

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Note	Ending balance	Opening balance
Subsidiary									
21 Insurance 01	RMB	Chinese Mainland	4.30	3,000	2021/03/25	10 years	(a)	3,000	3,000
21 Insurance 02	RMB	Chinese Mainland	3.93	1,800	2021/07/27	10 years	(a)	1,800	1,800
Total								4,800	4,800

(a) BOCOM MSIG Life Insurance Company Limited has an option to redeem the bonds at the par value partially or as a whole on the last day of the fifth interest-bearing year, provided that the permission of PBOC and NFRA is acquired in advance and the BOCOM MSIG Life Insurance Company Limited's solvency ratio is not less than 100% if the redemption is exercised.

(4) As at 31 December 2024, the Group has not had any defaults in respect of payments of principal or interest or other breaches with respect to the debt securities issued.

31 OTHER LIABILITIES

	Note	**As at 31 December 2024**	As at 31 December 2023
Insurance contract liabilities		**134,959**	111,207
Clearing and settlement		**53,148**	56,930
Staff compensation payable		**19,449**	17,979
Dividends payable		**13,757**	254
Expected credit impairment allowance of credit related commitments and financial guarantees	(1)	**9,888**	8,826
Lease liabilities		**6,539**	6,501
VAT and other taxes payable		**6,529**	5,283
Deposits received for finance lease		**5,999**	5,904
Special purpose funding		**1,542**	1,796
Provision for outstanding litigations	(2)	**407**	503
Others		**37,390**	35,974
Total		**289,607**	251,157

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

31 OTHER LIABILITIES *(Continued)*

(1) Movements in the expected credit impairment allowance of credit related commitments and financial guarantees

	For the year ended 31 December 2024			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
As at 1 January 2024	**8,275**	**551**	**–**	**8,826**
Transfers:				
Transfer to Stage 1	**162**	**(162)**	**–**	**–**
Transfer to Stage 2	**(151)**	**151**	**–**	**–**
Transfer to Stage 3	**(10)**	**–**	**10**	**–**
Provision/(reversal)	**613**	**237**	**289**	**1,139**
Others	**(5)**	**(69)**	**(3)**	**(77)**
As at 31 December 2024	**8,884**	**708**	**296**	**9,888**

	For the year ended 31 December 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023	10,226	1,065	–	11,291
Transfers:				
Transfer to Stage 1	547	(547)	–	–
Transfer to Stage 2	(211)	211	–	–
Transfer to Stage 3	–	–	–	–
Provision/(reversal)	(2,213)	(56)	–	(2,269)
Others	(74)	(122)	–	(196)
As at 31 December 2023	8,275	551	–	8,826

(2) Movements in the provision for outstanding litigations

	As at 1 January 2024	**Accrued/ (reversed) during the year**	**Amounts settled during the year**	**As at 31 December 2024**
Provision for outstanding litigations	**503**	**(95)**	**(1)**	**407**

	As at 1 January 2023	Accrued/ (reversed) during the year	Amounts settled during the year	As at 31 December 2023
Provision for outstanding litigations	520	(14)	(3)	503

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
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32 SHARE CAPITAL AND CAPITAL SURPLUS

	Number of shares (in millions)	**Ordinary shares of (RMB1 each)**	**Capital surplus**
As at 1 January 2024	**74,263**	**74,263**	**111,428**
As at 31 December 2024	**74,263**	**74,263**	**111,420**

	Number of shares (in millions)	Ordinary shares of (RMB1 each)	Capital surplus
As at 1 January 2023	74,263	74,263	111,429
As at 31 December 2023	74,263	74,263	111,428

As at 31 December 2024 and 31 December 2023, the number of A shares of the Group was 39,251 million, and the number of H shares of the Group was 35,012 million, both with par value of RMB1 per share.

As at 31 December 2024 and 31 December 2023, the Group's capital surplus is listed as follows:

	As at 1 January 2024	**Additions**	**Reductions**	**As at 31 December 2024**
Share premium	**110,770**	**–**	**(8)**	**110,762**
Other capital reserve	**658**	**–**	**–**	**658**
Total	**111,428**	**–**	**(8)**	**111,420**

	As at 1 January 2023	Additions	Reductions	As at 31 December 2023
Share premium	110,770	–	–	110,770
Other capital reserve	659	–	(1)	658
Total	111,429	–	(1)	111,428

33 OTHER EQUITY INSTRUMENTS

(1) Preference shares

(a) Preference shares outstanding at the end of the year

	Issue date	Accounting classification	Dividend rate %	Issue price	Amount in shares	In original currency (in millions)	In RMB (in millions)	Maturity	Conversion condition	Conversion
Domestic preference shares										
Preference shares in RMB	2 September 2016	Equity	4.07	RMB100/share	450,000,000	45,000	45,000	No maturity date	Mandatory	No conversion during the year
Less: Issuance fees							(48)			
Carrying amount							44,952			

(b) Movements of preference shares issued

	As at 1 January 2024	Movements Additions	Decreases	As at 31 December 2024
Domestic preferences-shares				
Amount (shares)	**450,000,000**	**–**	**–**	**450,000,000**
In RMB (millions)	**44,952**	**–**	**–**	**44,952**

	As at 1 January 2023	Movements Additions	Decreases	As at 31 December 2023
Domestic preferences-shares				
Amount (shares)	450,000,000	–	–	450,000,000
In RMB (millions)	44,952	–	–	44,952

(c) Main clauses

Domestic preference shares

(i) Dividend

The domestic preference shares will accrue dividends on their issue price at the relevant dividend rate below:

– From and including the issue date to but excluding the first reset date, at the rate of 3.90% per annum; and

– The dividend rate will be re-priced every five years thereafter with reference to the arithmetic average value (rounding off to 0.01%) of five-year Chinese treasury bonds yield at the date which is 20 transaction days before the reset date (excluding the date) plus a fixed premium of 1.37%. As authorised by the shareholders' annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on domestic preference shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
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33 OTHER EQUITY INSTRUMENTS *(Continued)*

(1) Preference shares *(Continued)*

(c) Main clauses (Continued)

Domestic preference shares (Continued)

(i) Dividend (Continued)

With effect from 7 September 2021, the Bank has adjusted the dividend rate for the second dividend rate adjustment period to 4.07%.

The dividend for domestic preference shares is non-cumulative. Where the Bank determines to cancel the dividend for domestic preference shares in whole or in part, the omitted dividend will not be carried forward and claimed in the future period. After receiving dividends at the agreed dividend rate, domestic preference shareholders of the Bank will not participate in the distribution of residual profits with ordinary shareholders. Domestic preference shares issued by the Bank have the same dividend distribution order as the offshore preference shares.

(ii) Conditions to distribution of dividends

The Bank could pay dividends while the Bank still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratio meets regulatory requirements. Domestic preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends.

Subject to a resolution to be passed at a shareholders' general meeting of the Bank on each such occasion, the Bank may elect to cancel (in whole or in part) any preference share dividend. The Bank shall not distribute any dividends to its ordinary shareholders before it declares such dividends to preference shareholders for the relevant periods.

(iii) Mandatory conversion trigger events

Upon occurrence of the triggering events as stipulated by the offering documents and subject to regulatory approval, domestic preference shares shall be mandatorily converted into ordinary A Shares of the Bank, partially or entirely. The initial mandatory conversion price is RMB6.25 per share. To balance the interest between preference shareholders and ordinary shareholders, the mandatory conversion price of the preference shares will be cumulatively adjusted in sequence where certain events occur including issuances of bonus shares, capitalisation of reserves, new issuances of ordinary shares at a price lower than the market price (excluding equity increased due to exercise of convertible financing instruments that can be converted into ordinary shares) and rights issues, subject to terms and formulas provided for in the offering documents. Appropriation of dividends to ordinary shareholders is not trigger event for price adjustment.

(iv) Order of distribution and liquidation method

On winding-up of the Bank, distribution to domestic preference shareholders is made after all debts of the Bank (including subordinated debts) and obligations that are issued or guaranteed by the Bank and specifically stated to be distributed prior to the domestic preference shares; all domestic preference shareholders are ranked at the same in the distribution sequence without priority among them and have the same repayment sequence rights as holders of obligations with equivalent rights. In addition, distribution is made to domestic preference shareholders prior to ordinary shareholders.

On winding-up of the Bank, any remaining assets of the Bank shall, after the distributions in accordance with the terms and conditions of the domestic preference shares have been made, be applied to the claims of the domestic preference shareholders equally in all respects with the claims of holders of any parity obligations (which term, for the avoidance of doubt, includes the domestic preference shares and any other preference shares of the Bank issued from time to time to investors outside the PRC) and in priority to the claims of the holders of ordinary shares.

33 OTHER EQUITY INSTRUMENTS *(Continued)*

(1) Preference shares *(Continued)*

(c) Main clauses (Continued)

Domestic preference shares (Continued)

(iv) Order of distribution and liquidation method (Continued)

The distribution amount obtained by the domestic preference shareholders shall be the total par value of the issued and outstanding preference shares plus dividends declared but not paid in the current period; if the distribution amount is insufficient, domestic and offshore preference shareholders will share the distribution amount on a proportional basis.

(v) Redemption

The domestic preference shares are perpetual and have no maturity date. The Bank may, subject to obtaining the regulatory approval and in compliance with the redemption preconditions, redeem all or some of the domestic preference shares on 7 September 2021 and on any preference share dividend payment date thereafter. The redemption period ends at the date when shares are fully converted or redeemed.

(2) Perpetual bonds

(a) Perpetual bonds outstanding at the end of the year

	Issue date	Accounting classification	Original interest rate %	Issue price	Amount in shares	In original currency (in millions)	In RMB (in millions)	Maturity
20 BoComm perpetual bonds (c) (ii)	23 September 2020	Equity	4.59	RMB100/bond	300,000,000	30,000	30,000	No fixed maturity date
21 BoComm perpetual bonds (c) (ii)	8 June 2021	Equity	4.06	RMB100/bond	415,000,000	41,500	41,500	No fixed maturity date
24 BoComm perpetual bonds 01BC (c)(ii)	26 Aug 2024	Equity	2.30	RMB100/bond	400,000,000	40,000	40,000	No fixed maturity date
Perpetual bonds in USD (c) (iii)	11 November 2020	Equity	3.80	Not less than USD200,000/bond	Not applicable	2,800	18,366	No fixed maturity date
Total							129,866	
Less: Issuance fees							(22)	
Carrying amount							129,844	

(b) Movements of perpetual bonds issued

	As at 1 January 2024		Movements		As at 31 December 2024	
	Amount (shares)	Par value in RMB (millions)	Amount (shares)	Par value in RMB (millions)	Amount (shares)	Par value in RMB (millions)
19 BoComm perpetual bonds (c)(i)	400,000,000	40,000	(400,000,000)	(40,000)	–	–
20 BoComm perpetual bonds (c)(ii)	300,000,000	30,000	–	–	300,000,000	30,000
21 BoComm perpetual bonds (c)(ii)	415,000,000	41,500	–	–	415,000,000	41,500
24 BoComm perpetual bonds 01BC (c)(ii)	–	–	400,000,000	40,000	400,000,000	40,000
Perpetual bonds in USD (c) (iii)	Not applicable	18,366	–	–	Not applicable	18,366
Total		129,866		–		129,866

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

33 OTHER EQUITY INSTRUMENTS *(Continued)*

(2) Perpetual bonds *(Continued)*

(c) Main clauses

(i) With the approvals by relevant regulatory authorities, the Bank exercised the right of redemption on 20 September 2024, fully redeeming 2019 undated capital bonds, with a face value of RMB40 billion.

(ii) With the approvals by relevant regulatory authorities, the Bank issued RMB30 billion undated capital bonds in China's National Inter-Bank Bond Market on 23 September 2020, and the raising fund was received on 25 September 2020. The denomination of the Bonds is RMB100 each and coupon rate of 4.59%. The Bonds adopt a coupon rate adjusted on a stage-by-stage basis and a coupon rate adjustment period for every five years during which interests will be paid at the agreed coupon rate.

With the approvals by relevant regulatory authorities, the Bank issued RMB41.5 billion undated capital bonds in China's National Inter-Bank Bond Market on 8 June 2021, and the raising fund was received on 10 June 2021. The denomination of the Bonds is RMB100 each and coupon rate of 4.06%. The Bonds adopt a coupon rate adjusted on a stage-by-stage basis and a coupon rate adjustment period for every five years during which interests will be paid at the agreed coupon rate.

With the approvals by relevant regulatory authorities, the Bank issued RMB40 billion undated capital bonds in China's National Inter-Bank Bond Market on 26 August 2024, and the raising fund was received on 28 August 2024. The denomination of the Bonds is RMB100 each and coupon rate of 2.30%. The Bonds adopt a coupon rate adjusted on a stage-by-stage basis and a coupon rate adjustment period for every five years during which interests will be paid at the agreed coupon rate

The perpetual bonds will continue to be outstanding so long as the Bank's business continues to operate. The bonds have set forth terms regarding the Bank's redemption with pre-conditions. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the regulatory, the Bank is entitled to redeem the bonds after five years since the issue date in whole or in part on the annual interest payment date (including the interest payment date of the fifth year after the issue date). If, after the issuance, the perpetual 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 Bank may redeem the whole but not part of the perpetual bonds.

The claims in respect of the perpetual bonds are subordinated to the claims of depositors, general creditors, and subordinated indebtedness that rank senior to the perpetual bonds; and will rank in priority to all classes of equity shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier-1 capital instruments of the Bank that rank pari passu with the perpetual bonds.

Upon the occurrence of a Non-Viability Triggering Event, the Bank has the right to write down/write off in whole or in part, without the need for the consent of the holders of the bonds, the principal amount of the bonds.

The distributions on the perpetual bonds are non-cumulative, and the Bank shall have the right to cancel, in whole or in part, distributions on the bonds and any such cancellation shall not constitute an event of default. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the bonds, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares.

Investors have no right to redeem their subscription from the Bank. The net proceeds from the Bank's issuance of the above bonds, after deducting offering related expenses, will be used to replenish the additional tier-1 capital of the Bank.

33 OTHER EQUITY INSTRUMENTS *(Continued)*

(2) Perpetual bonds *(Continued)*

(c) Main clauses *(Continued)*

(iii) With the approvals by relevant regulatory authorities, the Bank issued USD2.8 billion undated capital bonds in the offshore market on 11 November 2020, and the raising fund was received on 18 November 2020. The specified denomination of the bonds is not less than USD200,000, the exceeding part need to be integral multiple of USD1000 and issued at 100% of the specified denomination. The coupon rate of the bonds is 3.80%. The bonds adopt a coupon rate adjusted on a stage-by-stage basis and a coupon rate adjustment period for every five years during which interests will be paid at the agreed coupon rate.

The perpetual bonds will continue to be outstanding so long as the Bank's business continues to operate. The bonds have set forth terms regarding the Bank's redemption with pre-conditions. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the regulatory, the bank is entitled to redeem the bonds after five years since the issue date in whole or in part on the annual interest payment date (including the interest payment date of the fifth year after the issue date). If, after the issuance, the perpetual bonds no longer qualify as additional tier-1 capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, subject to obtaining the regulatory approval, the Bank may redeem the whole but not part of the perpetual bonds.

The claims in respect of the perpetual bonds are subordinated to the claims of depositors, general creditors, and subordinated indebtedness that rank senior to the perpetual bonds; and will rank in priority to all classes of equity shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier-1 capital instruments of the Bank that rank pari passu with the perpetual bonds.

Upon the occurrence of a Non-Viability Triggering Event, the Bank has the right to write down/write off in whole or in part, without the need for the consent of the holders of the bonds.

The distributions on the perpetual bonds are non-cumulative, and the Bank shall have the right to cancel, in whole or in part, distributions on the bonds and any such cancellation shall not constitute an event of default. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the bonds, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares.

Investors have no right to redeem their subscription from the Bank. The net proceeds from the Bank's issuance of the above bonds, after deducting offering related expenses, will be used to replenish the additional tier-1 capital of the Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

33 OTHER EQUITY INSTRUMENTS *(Continued)*

(3) Interests attributable to holders of other equity instruments

	As at 31 December 2024	As at 31 December 2023
Total equity attributable to equity holders of the parent company	**1,144,306**	1,088,030
– Equity attributable to ordinary shareholders of the parent company	**969,510**	913,240
– Equity attributable to preference shareholders of the parent company	**44,952**	44,952
– Equity attributable to perpetual bond holders of the parent company	**129,844**	129,838
Total equity attributable to non-controlling interests	**11,291**	11,420
– Equity attributable to non-controlling interests of ordinary shares	**7,706**	7,912
– Equity attributable to non-controlling interests of non-cumulative subordinated additional Tier-1 capital securities (Note 36)	**3,585**	3,508

Dividends paid to preference shareholders and interest paid to perpetual bond holders for the year ended 31 December 2024 are disclosed in Note 35.

34 OTHER RESERVES AND RETAINED EARNINGS

Pursuant to the relevant PRC regulations, the appropriation of profits to the statutory general reserve, the discretionary reserve and the distribution of dividends in each year are based on the recommendations of the directors and are subject to the resolutions to be passed at the General Meeting of Shareholders.

Pursuant to relevant PRC regulations, the Bank appropriated 10% of its net profit for the year under CAS to the statutory surplus reserve until the reserve balance reaches 50% of the Bank's registered capital. The statutory surplus reserve can be used to compensate losses or to increase share capital upon approval.

	As at 1 January 2024	**Appropriate**	**Decrease**	**As at 31 December 2024**
Statutory reserve	**97,227**	**8,787**	**–**	**106,014**
Discretionary reserve	**140,399**	**162**	**(16)**	**140,545**
Total	**237,626**	**8,949**	**(16)**	**246,559**

	As at 1 January 2023	Appropriate	Decrease	As at 31 December 2023
Statutory reserve	88,154	9,073	–	97,227
Discretionary reserve	140,182	217	–	140,399
Total	228,336	9,290	–	237,626

Pursuant to relevant PRC banking regulations, since 1 July 2012, the Bank made statutory general reserve from net profit through profit appropriation according to Administrative Measures for the Provisioning of Financial Enterprises (Cai Jin [2012] No. 20). The proportion is determined based on several factors including the Bank's overall exposure to risk, normally no lower than 1.5% of the ending balance of risk assets. The statutory general reserve is an integral part of shareholders' equity but not subject to dividend distribution. The Bank's subsidiaries and overseas branches, if required by local regulation requirements, also need to make such general reserve.

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

34 OTHER RESERVES AND RETAINED EARNINGS *(Continued)*

	As at 1 January 2024	**Appropriate**	**Decrease**	**As at 31 December 2024**
Statutory general reserve	**159,053**	**14,123**	**–**	**173,176**

	As at 1 January 2023	Appropriate	Decrease	As at 31 December 2023
Statutory general reserve	144,541	14,512	–	159,053

Retained earnings

The movements of retained earnings are set out below:

	Note	
As at 1 January 2024		**326,744**
Profit for the year attributable to shareholders of the parent company		**93,586**
Appropriation to statutory reserve		**(8,787)**
Appropriation to discretionary reserve		**(162)**
Appropriation to general reserve		**(14,123)**
Dividends payable to ordinary shareholders		**(41,365)**
Dividends payable to preference shareholders		**(1,832)**
Interest to perpetual bond holders		**(5,632)**
Others		**(164)**
As at 31 December 2024	(1)	**348,265**
As at 31 December 2022		292,734
Changes in accounting policies		127
As at 1 January 2023		292,861
Profit for the year attributable to shareholders of the parent company		92,728
Appropriation to statutory reserve		(9,073)
Appropriation to discretionary reserve		(217)
Appropriation to general reserve		(14,512)
Dividends payable to ordinary shareholders		(27,700)
Dividends payable to preference shareholders		(1,832)
Interest to perpetual bond holders		(5,641)
Others		130
As at 31 December 2023	(1)	326,744

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
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34 OTHER RESERVES AND RETAINED EARNINGS *(Continued)*

Retained earnings *(Continued)*

(1) Retained earnings at the end of the year

As at 31 December 2024, the consolidated retained earnings attributable to the Bank included retained earnings transferred to share capital by the Bank's subsidiary amounting to RMB6 billion (As at 31 December 2023: RMB6 billion). The Bank's subsidiary did not provide the Bank with the option to receive equivalent cash dividends or profits.

(2) Distributable profits

The Bank's distributable profit is based on its retained profits as determined under PRC and IFRSs, whichever is lower. The amount that the Bank's subsidiaries can legally distribute is determined by referring to their profits as reflected in their financial statements prepared in accordance with the accounting regulations and principles promulgated by the local regulatory bodies. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

35 DIVIDENDS

	2024	2023
Dividends to ordinary shareholders of the Bank	**41,365**	27,700
Dividends to preference shareholders of the Bank	**1,832**	1,832
Interest to perpetual bond holders of the Bank	**5,632**	5,641

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

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

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

(3) Allocations to statutory general reserve;

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

Pursuant to the approval by the Second Extraordinary Annual General Meeting of Shareholders on 27 December 2024, the Bank appropriated a cash dividend of RMB0.182 (before tax) for each ordinary share, with total amount of RMB13,516 million, calculated based on 74,263 million shares outstanding as at 30 June 2024, will be distributed to ordinary shareholders.

Pursuant to the approval by the Annual General Meeting of Shareholders on 26 June 2024, the Bank appropriated a cash dividend of RMB0.375 (before tax) for each ordinary share, with total amount of RMB27,849 million, calculated based on 74,263 million shares outstanding as at 31 December 2023, will be distributed to ordinary shareholders.

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

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

35 DIVIDENDS *(Continued)*

Pursuant to the approval by the Board meeting on 26 April 2024, the Bank will appropriate domestic preference dividends of RMB1,832 million with a dividend yield of 4.07%.

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

The Bank distributed the interest on the 2020 undated capital bonds in USD amounting to RMB890 million on 18 November 2024.

The Bank distributed the interest on the 2020 undated capital bonds amounting to RMB1,377 million on 25 September 2024.

The Bank distributed the interest on the 2019 undated capital bonds amounting to RMB1,680 million on 20 September 2024.

The Bank distributed the interest on the 2021 undated capital bonds amounting to RMB1,685 million on 10 June 2024.

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

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

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

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

36 NON-CONTROLLING INTERESTS

Non-controlling interests of the Group include equity attributable to non-controlling interests of ordinary shares and equity attributable to non-controlling interests of other equity instruments. As at 31 December 2024, equity attributable to other equity instruments holders was RMB3,585 million. Other equity instruments were non-cumulative subordinated additional tier-1 capital securities issued by Bank of Communications (Hong Kong) Limited on 3 March 2020.

Issue Date	3 March 2020
Face Value	USD500 million
First Call Date	3 March 2025
Distribution Rate	(i) from the issue date to the first call date, 3.725% per annum (ii) for every five calendar years after the first call date, the then-prevailing US Treasury Rate plus 2.525% per annum if the redemption right is not exercised
Frequency of distribution payments	Semi-annually

Bank of Communications (Hong Kong) Limited may determine the policies of distribution payments and whether to redeem the bonds. Therefore, the Group recognised the bonds as equity instruments. Pursuant to the terms and conditions of the Non-Cumulative Subordinated Additional Tier-1 capital securities, Bank of Communications (Hong Kong) Limited has paid a total distribution of RMB132 million during the year ended 31 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
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37 CONTINGENCIES

Legal proceedings

The Group has been involved as defendants in certain lawsuits arising from its normal business operations. Management of the Group believes, based on legal advice, the final result of these lawsuits will not have a material impact on the financial position or operations of the Group. Provision for litigation losses as advised by in-house or external legal professionals is disclosed in Note 31. The total outstanding claims against the Group (as defendant) by a number of third parties at the end of the year are summarised as follows:

	As at 31 December 2024	As at 31 December 2023
Outstanding litigations	**1,187**	1,480
Provision for outstanding litigation (Note 31)	**407**	503

Future receivables from operating leases

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

	As at 31 December 2024	As at 31 December 2023
Within 1 year	**21,803**	18,835
After 1 year and within 2 years	**20,779**	17,470
After 2 years and within 3 years	**19,095**	16,327
After 3 years and within 4 years	**17,005**	14,904
After 4 years and within 5 years	**15,642**	12,935
After 5 years	**60,418**	53,932
Total	**154,742**	134,403

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

38 COMMITMENTS

Credit related commitments and financial guarantees

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

	As at 31 December 2024	As at 31 December 2023
Loan commitments		
– Under 1 year	**7,491**	6,013
– 1 year and above	**106,714**	82,507
Credit card commitments	**923,923**	938,820
Acceptance bills	**576,578**	544,473
Letters of guarantee	**490,510**	455,646
Letters of credit commitments	**266,413**	205,132
Total	**2,371,629**	2,232,591

Capital expenditure commitments

	As at 31 December 2024	As at 31 December 2023
Contracted but not provided for	**76,109**	87,143

Commitments on security underwriting and bond acceptance

The Group is entrusted by the Ministry of Finance ('MOF') to underwrite certain treasury bonds. The investors of these treasury bonds have a right to redeem the bonds at any time prior to maturity and the Group is committed to honor such redemption requests. The redemption price is calculated as the nominal value of the bond plus payable interest in accordance with the terms of the related early redemption arrangement.

As at 31 December 2024, the nominal value of treasury bonds the Group had the obligation to buy back amounted to RMB56,437 million (As at 31 December 2023: RMB63,381 million). Management of the Group expects the amount of redemption before the maturity dates of these bonds will not be material.

As at 31 December 2024, the Group had no announced but unfulfilled irrevocable commitment on security underwriting (As at 31 December 2023: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

39 COLLATERALS

(1) Assets pledged

The Group uses part of its assets as collaterals for interbank repurchase arrangements and other liabilities-related business. The carrying amount of these collaterals and the balance of operations related are listed below:

	Pledged assets		Associated liabilities	
	As at 31 December 2024	As at 31 December 2023	**As at 31 December 2024**	As at 31 December 2023
Investment securities	**824,601**	1,047,336	**823,743**	1,003,758
Bills	**17,307**	4,882	**17,307**	4,882
Total	**841,908**	1,052,218	**841,050**	1,008,640

Financial assets sold under repurchase agreements included certain transactions under which the title of the pledged securities has been transferred to counterparties. These transactions have been disclosed in Note 44 transfers of financial assets.

In addition, part of due from and placements with banks and other financial institutions and loans and advances to customers pledged as collateral for borrowing from central banks or placements from banks by the Group as at 31 December 2024 amounted to RMB35,915 million in total (31 December 2023: RMB25,263 million).

(2) Collateral accepted

The Group received debt securities and bills as collateral in connection with the securities lending transactions and the purchase of assets under resale agreements. The Group did not hold any collateral that can be resold or re-pledged on balance sheet date when non-defaulting.

40 OTHER COMPREHENSIVE INCOME

	Year ended 31 December 2024		
	Before tax amount	**Tax effect**	**Net of tax amount**
Other comprehensive income			
Changes in fair value of debt instruments measured at fair value through other comprehensive income			
Amount recognised in equity	***24,418***	***(6,422)***	***17,996***
Amount reclassified to profit or loss	***(1,941)***	***485***	***(1,456)***
Expected credit losses of debt instruments measured at fair value through other comprehensive income			
Amount recognised in equity	***(53)***	***(128)***	***(181)***
Amount reclassified to profit or loss	***–***	***–***	***–***
Effective portion of gains or losses on hedging instruments in cash flow hedges			
Amount recognised in equity	***1,336***	***(390)***	***946***
Amount reclassified to profit or loss	***(1,414)***	***354***	***(1,060)***
Translation difference on foreign operations	**976**	**–**	**976**
Changes in fair value of equity investments designated at FVOCI	**3,063**	**(782)**	**2,281**
Changes in fair value attributable to changes in the credit risk of financial liabilities designated at FVTPL	**(268)**	**–**	**(268)**
Actuarial gains on pension benefits	**(16)**	**–**	**(16)**
Others	**(10,473)**	**2,658**	**(7,815)**
Other comprehensive income for the year	**15,628**	**(4,225)**	**11,403**

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

40 OTHER COMPREHENSIVE INCOME *(Continued)*

	Year ended 31 December 2023		
	Before tax amount	Tax effect	Net of tax amount
Other comprehensive income			
Changes in fair value of debt instruments measured at fair value through other comprehensive income			
Amount recognised in equity	*9,400*	*(1,866)*	*7,534*
Amount reclassified to profit or loss	*(885)*	*221*	*(664)*
Expected credit losses of debt instruments measured at fair value through other comprehensive income			
Amount recognised in equity	*1,378*	*(289)*	*1,089*
Amount reclassified to profit or loss	*–*	*–*	*–*
Effective portion of gains or losses on hedging instruments in cash flow hedges			
Amount recognised in equity	*(825)*	*165*	*(660)*
Amount reclassified to profit or loss	*67*	*(17)*	*50*
Translation difference on foreign operations	2,152	–	2,152
Changes in fair value of equity investments designated at FVOCI	736	252	988
Changes in fair value attributable to changes in the credit risk of financial liabilities designated at FVTPL	458	–	458
Actuarial gains on pension benefits	33	–	33
Others	(3,571)	891	(2,680)
Other comprehensive income for the year	8,943	(643)	8,300

41 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Analysis of the balance of cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise the following balances with maturities of less than or equal to 90 days from date of purchase and used for the purpose of meeting short-term cash commitments:

	As at 31 December 2024	As at 31 December 2023
Cash and balances with central banks	**78,121**	202,550
Due from and placements with banks and other financial institutions	**83,829**	72,911
Total	**161,950**	275,461

42 CONSOLIDATED STRUCTURED ENTITIES

Structured entities consolidated by the Group include certain trust investment plans, funds, and securitisation products issued, managed and invested by the Group. The Group controls these entities because the Group has power over, is exposed to, or has right to variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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43 UNCONSOLIDATED STRUCTURED ENTITIES

The Group has been involved in other structured entities through acting as sponsors of structured entities or investments in structured entities that provide specialised investment opportunities to investors. These structured entities generally finance the purchase of assets by issuing units of the products. The Group does not control these structured entities and therefore, these structured entities are not consolidated.

As at 31 December 2024, those unconsolidated structured entities set up and sponsored by the Group consist primarily of wealth management products, funds, trusts, asset management products and securitisation products. The Group earns commission income by providing management services to the investors of these structured entities. For the year ended 31 December 2024, the Group's commission income from providing services to the structured entities managed by the Group was RMB7,764 million (For the year ended 31 December 2023: RMB7,808 million).

As at 31 December 2024, the balance of the wealth management products set up and sponsored by the Group amounted to RMB1,662,496 million (As at 31 December 2023: RMB1,302,346 million), the balance of funds issued by the Group amounted to RMB551,299 million, the balance of trusts and asset management plans and others sponsored by the Group amounted to RMB614,451 million (As at 31 December 2023: the balance of funds issued by the Group amounted to RMB511,038 million, the balance of trusts and asset management plans and others sponsored by the Group amounted to RMB594,647 million).

For the year ended 31 December 2024, no interest income from placements and repurchase transactions with those unconsolidated wealth management products (For the year ended 31 December 2023: Nil).

The Group is also involved in certain structured entities sponsored by the Group or third parties through direct investments. These investments are recognised as financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, and financial investments at amortised cost.

As at 31 December 2024 and 31 December 2023, the carrying amount of interests in unconsolidated structured entities held by the Group through investment was set out as follows:

As at 31 December 2024

	Carrying amount				
	Financial investments at FVTPL	Financial investments at amortised cost	Financial investments at FVOCI	Maximum exposure to loss	Type of income
Funds	200,384	–	336	200,720	Net gains arising from trading activities
Trusts and asset management products	13,664	21,954	–	35,618	Net interest income, net gains arising from trading activities
Securitisation products	210	154	–	364	Net interest income, net gains arising from trading activities
Total	214,258	22,108	336	236,702	

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

43 UNCONSOLIDATED STRUCTURED ENTITIES *(Continued)*

As at 31 December 2023

	Carrying amount				
	Financial investments at FVTPL	Financial investments at amortised cost	Financial investments at FVOCI	Maximum exposure to loss	Type of income
Funds	164,092	–	333	164,425	Net gains arising from trading activities
Trusts and asset management products	16,774	47,133	–	63,907	Net interest income, net gains arising from trading activities
Securitisation products	174	210	–	384	Net interest income, net gains arising from trading activities
Total	181,040	47,343	333	228,716	

44 TRANSFERS OF FINANCIAL ASSETS

The Group enters into transactions by which it transfers recognised financial assets to third parties or structured entities. In some cases, these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

(1) Financial assets sold under repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities, which the Group does not have the ability to use during the term of the arrangements, are not derecognised from the financial statements but regarded as "collateral" for the secured lending. In addition, the Group recognises a financial liability for cash received.

As at 31 December 2024 and 31 December 2023, the Group entered into repurchase agreements with certain counterparties. The proceeds from selling such securities are presented as "financial assets sold under repurchase agreements" (Note 26).

The following table provides a summary of carrying amounts related to the transferred financial assets that are not derecognised and the associated liabilities:

	Collaterals		**Associated liabilities**	
	As at 31 December 2024	As at 31 December 2023	**As at 31 December 2024**	As at 31 December 2023
Investment securities	**246,798**	15,005	**225,906**	12,868

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

44 TRANSFERS OF FINANCIAL ASSETS *(Continued)*

(2) Securities lending transactions

Under securities lending agreements, the counterparties are allowed to sell or repledge those securities lent under agreements to repurchase in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 31 December 2024, the face value of debt securities lent to counterparties was RMB11,700 million (31 December 2023: RMB26,010 million).

(3) Asset securitisation

In the course of asset securitisation activities, the Group securitises financial assets, generally through the sale of these assets to structured entities which then issue securities to investors. The Group may hold subordinated tranches of credit asset-backed securities in these transactions, thereby potentially retaining a portion of the risks and rewards associated with those financial assets. The Group will analyze and determine whether to derecognize the relevant credit assets based on the extent to which risks and rewards are retained.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of financial assets, but retains control of those financial assets, the Group continues to recognise them on the consolidated statement of financial position to the extent of the Group's continuing involvement, while the rest are derecognised. The extent of the Group's continuing involvement is the extent of risk the Group faces due to changes in the value of the transferred assets. As at 31 December 2024, loans with an original value of RMB42,820 million (31 December 2023: RMB52,134 million) have been securitised by the Group, the carrying amount of assets that the Group continues to recognize on the consolidated statement of financial position was RMB4,605 million as at 31 December 2024 (31 December 2023: RMB5,529 million).

In 2024, loans with an original value of RMB9,540 million (2023: RMB12,306 million) have been derecognized by the Group through asset securitization. As at 31 December 2024, the carrying amount of asset-backed securities held by the Group in securitisation transactions that were qualified for derecognition was RMB376 million (31 December 2023: RMB405 million), and its maximum exposure approximated to the carrying amount.

(4) Disposal of non-performing loans and advances to customers

For the year ended 31 December 2024, the Group had transferred non-performing loans and advances to customers with a gross carrying amount of RMB5,838 million (For the year ended 31 December 2023: RMB3,162 million) and collected cash totalling RMB2,083 million (For the year ended 31 December 2023: RMB1,730 million) through transferring to third parties. The difference between the gross carrying amount and the cash collected had been written off. The Group derecognised the non-performing loans and advances to customers from the Group's financial statements at the time of disposal.

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

45 RELATED PARTY TRANSACTIONS

(1) Transactions with the MOF

As at 31 December 2024, the MOF held 17,732 million (31 December 2023: 17,732 million) ordinary shares of Bank of Communications Co., Ltd. which represented 23.88% (31 December 2023: 23.88%) of the total share capital.

The MOF is a Chinese government ministry, primarily responsible for managing state fiscal revenue and expenditures, and establishing and enforcing taxation policies. The Group enters into banking transactions with the MOF under normal commercial terms and at market rates. These transactions mainly include the purchase and redemption of financial investments issued by the MOF.

Details of transaction volumes and outstanding balances are summarised below:

	As at 31 December 2024	As at 31 December 2023
Bonds issued by the MOF investment		
Financial investments at FVTPL	**80,493**	65,938
Financial investments at amortised cost	**1,059,020**	1,090,685
Financial investments at FVOCI	**121,031**	123,930

	2024	2023
Interest income on the government bonds	**35,363**	34,145

(2) Transactions with the National Council for Social Security Fund

As at 31 December 2024, the National Council for Social Security Fund held 12,171 million (31 December 2023: 12,149 million) ordinary shares of Bank of Communications Co., Ltd. which represented 16.39% (31 December 2023: 16.36%) of the total share capital.

The Group enters into transactions with the National Council for Social Security Fund in the normal course of business and they mainly include deposits. The transactions are conducted under normal transaction terms and market pricing terms and which comply with normal commercial terms.

Details of transaction volumes and outstanding balances are summarised below:

	As at 31 December 2024	As at 31 December 2023
Deposits from customers	**(91,582)**	(91,625)

	2024	2023
Interest expenses	**(3,756)**	(3,811)

(3) Transactions with the Hongkong and Shanghai Banking Corporation Limited ("HSBC") Group and its joint ventures

As at 31 December 2024, HSBC held 14,136 million (31 December 2023: 14,136 million) ordinary shares of the Bank of Communications Co., Ltd. which represented 19.03% (31 December 2023: 19.03%) of the total share capital.

HSBC was incorporated in 1866, primarily providing local and international banking services, and related financial services in the Asia-Pacific region. Its registration is Hong Kong. Transactions between the Group and HSBC are conducted under normal transaction terms and market pricing terms and which comply with normal commercial terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

45 RELATED PARTY TRANSACTIONS *(Continued)*

(3) Transactions with the Hongkong and Shanghai Banking Corporation Limited ("HSBC") Group and its joint ventures *(Continued)*

Details of transaction volumes and outstanding balances are summarised below:

	As at 31 December 2024	As at 31 December 2023
On-balance sheet items		
Due from and placements with banks and other financial institutions	**6,677**	6,385
Derivative financial assets	**4,249**	4,375
Loans and advances to customers	**427**	2,399
Financial investments at FVTPL	**1,497**	2,877
Financial investments at amortised cost	**1,694**	5,453
Financial investments at FVOCI	**7,730**	7,464
Due to and placements from banks and other financial institutions	**(22,539)**	(29,552)
Derivative financial liabilities	**(2,501)**	(1,843)
Certificates of deposits issued	**(32,835)**	(37,211)
Off-balance sheet items		
Notional principal of derivative financial instruments	**281,199**	270,596
Credit related commitments and financial guarantees	**344**	242

	2024	2023
Interest income	**552**	860
Interest expense	**(1,823)**	(2,221)
Fee and commission income	**85**	148
Fee and commission expense	**(27)**	(17)

(4) Transactions with state-owned entities in PRC

Other than disclosed above, a significant portion of the Group's banking transactions are entered into with government authorities, agencies, affiliates, and other State controlled entities. These transactions are entered into under normal commercial terms and conditions and mainly include provision of credit and guarantee, deposits, foreign exchange transactions, derivative transactions, agency services, underwriting and distribution of bonds issued by government agencies, purchase, sales, and redemption of investment securities issued by government agencies.

Management considers that transactions with state-owned entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and these state-owned entities are ultimately controlled or owned by the government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities.

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

45 RELATED PARTY TRANSACTIONS *(Continued)*

(5) Transactions with subsidiaries

Transactions between the Bank and its subsidiaries are conducted under normal transaction terms and market pricing terms and which comply with normal commercial terms. These transactions are eliminated on consolidation. Basic information and relevant details of subsidiaries are set out in Note 21.

Details of transaction volumes and outstanding balances are summarised below:

The Bank	**As at 31 December 2024**	As at 31 December 2023
Due from and placements with banks and other financial institutions	**136,007**	140,345
Derivative financial assets	**143**	209
Loans and advances to customers	**1,210**	1,249
Financial investments at FVTPL	**178**	241
Financial investments at amortised cost	**1,023**	1,881
Financial investments at FVOCI	**6,909**	11,124
Other assets	**218**	792
Due to and placements from banks and other financial institutions	**(14,325)**	(18,642)
Derivative financial liabilities	**(6,028)**	(7,470)
Deposits from customers	**(7,037)**	(5,973)
Other liabilities	**(303)**	(374)

The Bank	**2024**	2023
Interest income	**6,331**	6,619
Interest expense	**(532)**	(444)
Fee and commission income	**1,198**	1,585
Fee and commission expense	**(34)**	(45)
Other operating income	**645**	663
Other operating expense	**(230)**	(233)

(6) Transactions with key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors and the board of supervisors, and executive officers.

Transactions key management personnel, their close relatives and entities that are controlled, jointly controlled or significantly influenced by either such key management personnel or their close relatives and are conducted under normal transaction terms and market pricing terms and which comply with normal commercial terms.

Details of transaction volumes and outstanding balances are summarised below:

	As at 31 December 2024	As at 31 December 2023
Deposits from customers	**(9)**	(10)

Compensations of directors and senior management are summarised below:

	2024	2023
Remuneration and emoluments	**16**	25
Other benefits	**4**	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

45 RELATED PARTY TRANSACTIONS *(Continued)*

(7) Transactions with associates and joint ventures

Transactions between the Group and its associates and joint ventures are conducted under normal transaction terms and market pricing terms and which comply with normal commercial terms. Basic information and relevant details of associates and joint ventures are set out in Note 22.

Details of transaction volumes and outstanding balances are summarised below:

	As at 31 December 2024	As at 31 December 2023
On-balance sheet items		
Due from and placements with banks and other financial institutions	**1,908**	1,005
Derivative financial assets	**1,635**	1,048
Loans and advances to customers	**15,044**	9,759
Due to and placements from banks and other financial institutions	**(1,020)**	(809)
Derivative financial liabilities	**(69)**	(17)
Deposits from customers	**(606)**	(1,161)
Off-balance sheet items		
Notional principal of derivative financial instruments	**4,630**	4,690
Credit related commitments and financial guarantees	**30,792**	21,806

	2024	2023
Interest income	**589**	369
Interest expense	**(116)**	(67)

(8) Transactions with other related parties

Transactions with other related parties are conducted under normal transaction terms and market pricing terms and which comply with normal commercial terms.

Details of transaction volumes and outstanding balances are summarised below:

	As at 31 December 2024	As at 31 December 2023
On-balance sheet items		
Due from and placements with banks and other financial institutions	**200**	–
Loans and advances to customers	**2,212**	983
Financial investments at FVOCI	**394**	–
Due to and placements from banks and other financial institutions	**(1,520)**	(303)
Deposits from customers	**(92,330)**	(86,199)
Off-balance sheet items		
Credit related commitments and financial guarantees	**184**	200

	2024	2023
Interest income	**29**	19
Interest expense	**(3,139)**	(3,674)

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

45 RELATED PARTY TRANSACTIONS *(Continued)*

(9) Transactions with Annuity Fund

Apart from the obligations for defined contributions to the Annuity Fund and normal banking transactions, no other material transactions were conducted between the Group and the bank with the Annuity Fund for the years ended 31 December 2024 and 2023.

(10) Proportion of major related party transactions

The major balances and transactions with subsidiaries have been eliminated in the consolidated financial statements. When calculating the proportion of related party transactions, transactions with the subsidiary are not involved.

	As at 31 December 2024		As at 31 December 2023	
	Balances	**%**	Balances	%
On-balance sheet items				
Due from and placements with banks and other financial institutions	**8,785**	**0.90**	7,390	0.86
Derivative financial assets	**5,884**	**5.86**	5,423	8.05
Loans and advances to customers	**17,683**	**0.21**	13,141	0.17
Financial investments at FVTPL	**81,990**	**12.50**	68,815	10.71
Financial investments at amortised cost	**1,060,714**	**41.08**	1,096,138	42.59
Financial investments at FVOCI	**129,155**	**11.94**	131,394	14.80
Due to and placements from banks and other financial institutions	**(25,079)**	**1.16**	(30,664)	1.62
Derivative financial liabilities	**(2,570)**	**3.01**	(1,860)	3.65
Deposits from customers	**(184,527)**	**2.10**	(178,995)	2.09
Certificates of deposits issued	**(32,835)**	**2.37**	(37,211)	3.62
Off-balance sheet items				
Notional principal of derivative financial instruments	**285,829**	**2.63**	275,286	3.48
Credit related commitments and financial guarantees	**31,320**	**1.32**	22,248	1.00

	2024		2023	
	Amount	**%**	Amount	%
Interest income	**36,533**	**7.97**	35,393	7.57
Interest expense	**(8,834)**	**3.13**	(9,773)	3.30
Fee and commission income	**85**	**0.21**	148	0.31
Fee and commission expense	**(27)**	**0.67**	(17)	0.41

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

46 SEGMENTAL ANALYSIS

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

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

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

Geographical operating segment information

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

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

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

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

46 SEGMENTAL ANALYSIS *(Continued)*

Geographical operating segment information *(Continued)*

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

	Year ended 31 December 2024								
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic North Eastern Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Total
External net interest income/(expense)	21,541	12,917	8	20,506	18,631	(1,251)	14,697	82,783	169,832
Inter-segment net interest income/(expense)	28,943	6,787	26,653	9,146	486	7,390	766	(80,171)	–
Net interest income/(expense)	50,484	19,704	26,661	29,652	19,117	6,139	15,463	2,612	169,832
Fee and commission income	12,523	4,847	6,095	6,449	3,744	1,583	2,103	3,574	40,918
Fee and commission expense	(1,350)	(33)	(80)	(86)	(22)	(15)	(196)	(2,222)	(4,004)
Net fee and commission income	11,173	4,814	6,015	6,363	3,722	1,568	1,907	1,352	36,914
Net gains/(loss) arising from trading activities	6,666	347	56	633	165	(27)	1,239	12,840	21,919
Net gains/(loss) arising from financial investments	1,169	–	1	–	–	24	(551)	1,306	1,949
Share of profits/(loss) of associates and joint ventures	(44)	–	–	–	–	–	73	485	514
Other operating income	25,975	416	703	432	444	157	631	383	29,141
Total net operating income	95,423	25,281	33,436	37,080	23,448	7,861	18,762	18,978	260,269
Credit impairment losses	(15,133)	(8,998)	(3,008)	(6,013)	(378)	1,269	(1,536)	(18,770)	(52,567)
Other assets impairment (losses)/reversal	(1,471)	(3)	(6)	(3)	(130)	(25)	(2)	–	(1,640)
Other operating expense	(37,482)	(7,106)	(9,648)	(9,867)	(6,715)	(3,474)	(5,623)	(22,672)	(102,587)
Profit/(loss) before tax	41,337	9,174	20,774	21,197	16,225	5,631	11,601	(22,464)	103,475
Income tax									(9,246)
Net profit for the year									94,229
Depreciation and amortisation	(1,664)	(937)	(1,148)	(1,200)	(957)	(479)	(611)	(2,916)	(9,912)
Capital expenditure	(37,433)	(313)	(299)	(538)	(759)	(248)	(198)	(2,231)	(42,019)

	Year ended 31 December 2023								
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic North Eastern Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Total
External net interest income/(expense)	21,995	10,379	(3,212)	20,894	17,232	(1,525)	13,336	85,024	164,123
Inter-segment net interest income/(expense)	28,476	9,527	27,809	9,261	2,150	7,275	1,059	(85,557)	–
Net interest income/(expense)	50,471	19,906	24,597	30,155	19,382	5,750	14,395	(533)	164,123
Fee and commission income	13,373	5,205	6,960	7,580	4,480	1,845	2,077	5,628	47,148
Fee and commission expense	(1,364)	(35)	(76)	(97)	(21)	(14)	(186)	(2,351)	(4,144)
Net fee and commission income	12,009	5,170	6,884	7,483	4,459	1,831	1,891	3,277	43,004
Net gains/(loss) arising from trading activities	5,924	380	298	494	(108)	20	1,207	15,009	23,224
Net gains/(loss) arising from financial investments	1,596	1	–	–	–	15	(617)	(268)	727
Share of profits/(loss) of associates and joint ventures	(15)	–	–	–	–	–	63	308	356
Other operating income	23,109	403	529	504	405	213	822	595	26,580
Total net operating income	93,094	25,860	32,308	38,636	24,138	7,829	17,761	18,388	258,014
Credit impairment losses	(7,633)	(9,491)	(846)	(6,282)	(7,225)	(781)	(6,071)	(18,579)	(56,908)
Other assets impairment (losses)/reversal	(1,029)	1	1	(3)	(10)	(23)	–	1	(1,062)
Other operating expense	(35,320)	(7,155)	(9,250)	(9,765)	(6,758)	(3,458)	(5,742)	(22,898)	(100,346)
Profit/(loss) before tax	49,112	9,215	22,213	22,586	10,145	3,567	5,948	(23,088)	99,698
Income tax									(6,446)
Net profit for the year									93,252
Depreciation and amortisation	(1,781)	(955)	(1,178)	(1,176)	(956)	(497)	(569)	(2,415)	(9,527)
Capital expenditure	(40,918)	(257)	(398)	(668)	(380)	(271)	(294)	(3,833)	(47,019)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

46 SEGMENTAL ANALYSIS *(Continued)*

Geographical operating segment information *(Continued)*

	As at 31 December 2024									
	Yangtze River Delta	**Pearl River Delta**	**Bohai Rim Economic North Eastern Zone**	**Central China**	**Western China**	**North Eastern China**	**Overseas**	**Head Office**	**Eliminations**	**Total**
Segment assets	**3,701,661**	**1,271,976**	**2,151,326**	**1,587,010**	**1,073,003**	**505,981**	**1,221,484**	**5,623,577**	**(2,278,053)**	**14,857,965**
Including:										
Investments in associates and joint ventures	***1,422***	**–**	**–**	***26***	**–**	**–**	***1,268***	***8,885***	**–**	***11,601***
Unallocated assets										**42,752**
Total assets										**14,900,717**
Segment liabilities	**(3,572,662)**	**(1,260,946)**	**(2,129,956)**	**(1,547,333)**	**(1,058,171)**	**(502,689)**	**(1,106,130)**	**(4,840,962)**	**2,278,053**	**(13,740,796)**
Unallocated liabilities										**(4,324)**
Total liabilities										**(13,745,120)**

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

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

Business information

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

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

46 SEGMENTAL ANALYSIS *(Continued)*

Business information *(Continued)*

The business information of the Group is summarised as follows:

	Year ended 31 December 2024				
	Corporate Banking Business	**Personal Banking Business**	**Treasury Business**	**Other Business**	**Total**
External net interest income/(expense)	**89,145**	**26,416**	**54,310**	**(39)**	**169,832**
Inter-segment net interest income/(expense)	**(345)**	**46,749**	**(46,404)**	**–**	**–**
Net interest income/(expense)	**88,800**	**73,165**	**7,906**	**(39)**	**169,832**
Net fee and commission income	**9,512**	**22,680**	**4,566**	**156**	**36,914**
Net gains/(loss) arising from trading activities	**3,405**	**1,781**	**16,582**	**151**	**21,919**
Net gains/(loss) arising from financial investments	**71**	**1,058**	**817**	**3**	**1,949**
Share of profits/(loss) of associates and joint ventures	**74**	**(44)**	**–**	**484**	**514**
Other operating income	**24,096**	**3,996**	**817**	**232**	**29,141**
Total net operating income	**125,958**	**102,636**	**30,688**	**987**	**260,269**
Credit impairment losses	**(15,653)**	**(35,477)**	**(1,434)**	**(3)**	**(52,567)**
Other assets impairment (losses)/reversal	**(1,640)**	**–**	**–**	**–**	**(1,640)**
Other operating expense					
– Depreciation and amortisation	**(3,718)**	**(5,363)**	**(706)**	**(125)**	**(9,912)**
– Others	**(44,361)**	**(42,599)**	**(5,384)**	**(331)**	**(92,675)**
Profit/(loss) before tax	**60,586**	**19,197**	**23,164**	**528**	**103,475**
Income tax					**(9,246)**
Net profit for the year					**94,229**
Depreciation and amortisation	**(3,718)**	**(5,363)**	**(706)**	**(125)**	**(9,912)**
Capital expenditure	**(38,740)**	**(2,866)**	**(349)**	**(64)**	**(42,019)**

	Year ended 31 December 2023				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income/(expense)	77,146	31,893	55,119	(35)	164,123
Inter-segment net interest income/(expense)	12,916	41,899	(54,815)	–	–
Net interest income/(expense)	90,062	73,792	304	(35)	164,123
Net fee and commission income	10,015	28,324	4,496	169	43,004
Net gains/(loss) arising from trading activities	5,061	1,322	17,045	(204)	23,224
Net gains/(loss) arising from financial investments	(204)	939	(8)	–	727
Share of profits/(loss) of associates and joint ventures	46	–	(15)	325	356
Other operating income	21,505	4,088	609	378	26,580
Total net operating income	126,485	108,465	22,431	633	258,014
Credit impairment losses	(27,859)	(27,230)	(1,818)	(1)	(56,908)
Other assets impairment (losses)/reversal	(1,067)	5	–	–	(1,062)
Other operating expense					
– Depreciation and amortisation	(3,492)	(5,197)	(694)	(144)	(9,527)
– Others	(42,669)	(43,063)	(4,673)	(414)	(90,819)
Profit/(loss) before tax	51,398	32,980	15,246	74	99,698
Income tax					(6,446)
Net profit for the year					93,252
Depreciation and amortisation	(3,492)	(5,197)	(694)	(144)	(9,527)
Capital expenditure	(42,813)	(3,578)	(448)	(180)	(47,019)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

46 SEGMENTAL ANALYSIS *(Continued)*

Business information *(Continued)*

	As at 31 December 2024				
	Corporate Banking Business	**Personal Banking Business**	**Treasury Business**	**Other Business**	**Total**
Segment assets	**6,182,816**	**2,989,589**	**5,629,611**	**55,949**	**14,857,965**
Including:					
Investments in associates and joint ventures	***4,679***	***1,425***	***–***	***5,497***	***11,601***
Unallocated assets					**42,752**
Total assets					**14,900,717**
Segment liabilities	**(5,376,108)**	**(4,046,983)**	**(4,259,137)**	**(50,512)**	**(13,732,740)**
Unallocated liabilities					**(12,380)**
Total liabilities					**(13,745,120)**

	As at 31 December 2023				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
Segment assets	5,820,739	2,623,109	5,534,582	41,663	14,020,093
Including:					
Investments in associates and joint ventures	*2,457*	*1,429*	*–*	*5,104*	*8,990*
Unallocated assets					40,379
Total assets					14,060,472
Segment liabilities	(5,474,229)	(3,620,670)	(3,802,004)	(57,174)	(12,954,077)
Unallocated liabilities					(6,945)
Total liabilities					(12,961,022)

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

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

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

47 FINANCIAL STATEMENTS OF THE BANK

(1) Statement of financial position of the Bank

	As at 31 December 2024	As at 31 December 2023
Assets		
Cash and balances with central banks	**711,734**	893,502
Due from and placements with banks and other financial institutions	**1,011,165**	923,931
Derivative financial assets	**94,764**	63,846
Loans and advances to customers	**7,975,134**	7,400,621
Financial investments at fair value through profit or loss	**514,557**	504,152
Financial investments at amortised cost	**2,506,348**	2,497,643
Financial investments at fair value through other comprehensive income	**850,853**	705,189
Investments in associates and joint ventures	**8,885**	6,524
Investments in subsidiaries	**83,665**	83,845
Property and equipment	**47,383**	50,058
Deferred income tax assets	**38,947**	36,520
Other assets	**117,115**	66,037
Total assets	**13,960,550**	13,231,868
Liabilities and Equity		
Liabilities		
Due to banks and other financial institutions	**2,157,277**	2,224,251
Financial liabilities at FVTPL	**42,209**	42,335
Derivative financial liabilities	**87,681**	52,972
Deposits from customers	**8,491,928**	8,243,835
Certificates of deposits issued	**1,369,564**	1,011,664
Current income tax liabilities	**5,890**	3,507
Debt securities issued	**628,150**	526,939
Deferred income tax liabilities	**246**	119
Other liabilities	**122,530**	111,328
Total liabilities	**12,905,475**	12,216,950
Equity		
Share capital	**74,263**	74,263
Other equity investments	**174,796**	174,790
Including: Preference shares	***44,952***	*44,952*
Perpetual bonds	***129,844***	*129,838*
Capital surplus	**111,218**	111,226
Other reserves	**412,738**	381,063
Retained earnings	**282,060**	273,576
Total equity	**1,055,075**	1,014,918
Total equity and liabilities	**13,960,550**	13,231,868

The financial statements of the Bank were approved and authorised for issuance by the Board of Directors on 21 March 2025 and signed on its behalf by:

Chairman and Executive Director: Ren Deqi **Vice Chairman, Executive Director and President: Zhang Baojiang**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

47 FINANCIAL STATEMENTS OF THE BANK *(Continued)*

(2) Statement of changes in equity of the Bank

		Other equity instruments			Other reserves										
	Share capital	Preference Shares	Perpetual bonds	Capital surplus	Statutory reserve	Discretionary reserve	Statutory general reserve	Revaluation reserve and impairment reserve for financial assets at fair value through other comprehensive income	Revaluation reserve for the changes in credit risk of the financial liabilities designated at fair value through profit or loss	Effective portion of gains or losses on hedging instruments in cash flow hedges	Translation differences for foreign operations	Actuarial changes reserve	Others	Retained earnings	Total
As at 1 January 2024	74,263	44,952	129,838	111,226	92,965	139,764	147,162	(1,040)	301	(148)	726	(88)	1,421	273,576	1,014,918
Total comprehensive income	-	-	-	-	-	-	-	10,095	(268)	6	239	(16)	10	78,922	88,988
Capital contribution and reduction by other equity instruments holders	-	-	6	(8)	-	-	-	-	-	-	-	-	-	-	(2)
Dividends paid to ordinary shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(41,365)	(41,365)
Dividends paid to preference shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,832)	(1,832)
Interest paid to perpetual bond holders	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,632)	(5,632)
Transfer to reserves	-	-	-	-	8,103	-	13,175	-	-	-	-	-	-	(21,278)	-
Transfer of other comprehensive income to retained earnings	-	-	-	-	-	-	-	331	-	-	-	-	-	(331)	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2024	74,263	44,952	129,844	111,218	101,068	139,764	160,337	9,386	33	(142)	965	(104)	1,431	282,060	1,055,075

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

47 FINANCIAL STATEMENTS OF THE BANK *(Continued)*

(2) Statement of changes in equity of the Bank *(Continued)*

		Other equity instruments			Other reserves									
	Share capital	Preference Shares	Perpetual bonds	Capital surplus	Statutory reserve	Discretionary reserve	Statutory general reserve	Revaluation reserve and impairment reserve for financial assets at fair value through other comprehensive income	Revaluation reserve for the changes in credit risk of the financial liabilities designated at fair value through profit or loss	Effective portion of gains or losses on hedging instruments in cash flow hedges	Translation differences for foreign operations	Actuarial changes reserve	Others	Retained earnings	Total
As at 1 January 2023	74,263	44,952	129,838	111,227	84,566	139,764	133,778	(5,874)	(157)	(37)	(116)	(121)	1,435	249,502	963,020
Total comprehensive income	–	–	–	–	–	–	–	4,834	458	(111)	842	33	(14)	81,030	87,072
Dividends paid to ordinary shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	(27,700)	(27,700)
Dividends paid to preference shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,832)	(1,832)
Interest paid to perpetual bond holders	–	–	–	–	–	–	–	–	–	–	–	–	–	(5,641)	(5,641)
Transfer to reserves	–	–	–	–	8,399	–	13,384	–	–	–	–	–	–	(21,783)	–
Others	–	–	–	(1)	–	–	–	–	–	–	–	–	–	–	(1)
As at 31 December 2023	74,263	44,952	129,838	111,226	92,965	139,764	147,162	(1,040)	301	(148)	726	(88)	1,421	273,576	1,014,918

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024
(All amounts expressed in millions of RMB unless otherwise stated)

48 NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

Profit distribution after reporting period

On 21 March 2025, the Board of Directors of the Bank proposed to appropriate RMB7,892 million to the statutory reserve and RMB13,779 million to the statutory general reserve. A cash dividend of RMB0.197 (before tax) for each share, totalling RMB14,630 million, calculated based on the total number of shares outstanding of 74,263 million shares (RMB1 per share) as at 31 December 2024 was also proposed. The proposal will be subject to the approval by the General Meeting of Shareholders.

49 AUDIT FEES

In 2024, KPMG and its network member firms were paid a professional audit service fee of RMB86 million by the Group for the audit of the financial statements of the Group (For the year ended 31 December 2023: RMB75 million).

50 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with changes in disclosures in current year.

1 CURRENCY CONCENTRATIONS

As at 31 December 2024	USD	HKD	Others	Total
Spot assets	**951,959**	**219,735**	**249,755**	**1,421,449**
Spot liabilities	**(924,060)**	**(267,742)**	**(143,882)**	**(1,335,684)**
Forward purchases	**2,458,972**	**298,416**	**1,311,505**	**4,068,893**
Forward sales	**(2,599,792)**	**(161,455)**	**(1,909,151)**	**(4,670,398)**
Net option position	**(17,723)**	**(296)**	**(1,809)**	**(19,828)**
Net (short)/long position	**(130,644)**	**88,658**	**(493,582)**	**(535,568)**
Net structural position	**193,172**	**29,592**	**7,771**	**230,535**

As at 31 December 2023	USD	HKD	Others	Total
Spot assets	982,254	244,035	261,197	1,487,486
Spot liabilities	(849,432)	(285,305)	(142,071)	(1,276,808)
Forward purchases	1,718,050	226,260	339,376	2,283,686
Forward sales	(1,966,153)	(114,065)	(453,434)	(2,533,652)
Net option position	(1,674)	117	843	(714)
Net (short)/long position	(116,955)	71,042	5,911	(40,002)
Net structural position	170,087	29,624	7,771	207,482

The net options position is calculated using the approach set out by the China's National Financial Regulatory Administration in the regulatory report. The net structural position of the Group includes the structural positions of the Group's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

– Investments in fixed assets and properties, net of depreciation charges;

– Capital and statutory reserve of overseas branches;

– Investments in overseas subsidiaries and related companies; and

– Loan capital

2 INTERNATIONAL CLAIMS

International claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group is principally engaged in business operations within Chinese Mainland.

In respect of this unaudited supplementary financial information, Chinese Mainland excludes Hong Kong Special Administrative Region of the PRC ("Hong Kong"), Macau Special Administrative Region of the PRC ("Macau") and Chinese Taiwan.

International claims include loans and advances to customers, due from and placements with banks and other financial institutions, trade bills and certificates of deposits held and investment securities.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

For the year ended 31 December 2024

2 INTERNATIONAL CLAIMS *(Continued)*

International claims have been disclosed by country or region. A country or region 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 risk exposure is transferred to other counterparty by risk resolving methods. Exposure to credit risk is also mitigated through methods of guarantees, collaterals and credit derivatives.

As at 31 December 2024	**Bank**	**Official sector**	**Non-bank Private sector**	**Others**	**Total**
Asia Pacific	**619,944**	**145,186**	**697,562**	**–**	**1,462,692**
Of which attributed to Hong Kong	***185,343***	***95,183***	***392,236***	**–**	***672,762***
North and South America	**24,016**	**14,505**	**36,250**	**–**	**74,771**
Africa	**748**	**1,643**	**484**	**–**	**2,875**
Europe	**10,313**	**570**	**27,543**	**–**	**38,426**
Total	**655,021**	**161,904**	**761,839**	**–**	**1,578,764**

As at 31 December 2023	Bank	Official sector	Non-bank Private sector	Others	Total
Asia Pacific	683,105	110,199	744,482	–	1,537,786
Of which attributed to Hong Kong	*184,678*	*71,713*	*349,970*	–	*606,361*
North and South America	26,415	14,771	34,063	–	75,249
Africa	1,497	1,495	324	–	3,316
Europe	18,162	645	37,467	–	56,274
Total	729,179	127,110	816,336	–	1,672,625

3 OVERDUE AND RESTRUCTURED ASSETS

(1) Balance of overdue loans

	As at 31 December 2024	As at 31 December 2023
Loans and advances to customers which have been overdue for:		
– Less than 3 months	**42,389**	41,727
– 3 to 6 months	**15,003**	14,838
– 6 to 12 months	**20,682**	20,089
– Over 12 months	**40,024**	33,467
Total	**118,098**	110,121
Percentage (%):		
– Less than 3 months	**0.50**	0.52
– 3 to 6 months	**0.18**	0.19
– 6 to 12 months	**0.24**	0.25
– Over 12 months	**0.46**	0.42
Total	**1.38**	1.38

3 OVERDUE AND RESTRUCTURED ASSETS *(Continued)*

(2) Overdue and restructured loans

	As at 31 December 2024	As at 31 December 2023
Total restructured loans and advances to customers	**66,959**	40,836
Including: Restructured loans and advances to customers overdue above 3 months	***7,985***	*6,306*
Percentage of restructured loans and advances to customers overdue above 3 months in total loans	**0.09**	0.08

4 SEGMENTAL INFORMATION OF LOANS

(1) Impaired loans and advances to customers by geographical area

	As at 31 December 2024		As at 31 December 2023	
	Impaired loans and advances to customers	**Allowance for impairment losses**	Impaired loans and advances to customers	Allowance for impairment losses
Chinese mainland				
– Yangtze River Delta	**24,196**	**(14,684)**	20,563	(11,492)
– Bohai Rim Economic Zone	**14,279**	**(7,991)**	16,472	(10,418)
– Central China	**14,535**	**(7,379)**	13,311	(7,048)
– Pearl River Delta	**14,704**	**(9,642)**	12,214	(7,065)
– North Eastern China	**8,902**	**(5,393)**	11,221	(8,406)
– Western China	**8,989**	**(5,340)**	9,443	(5,473)
– Head Office	**12,596**	**(11,251)**	9,392	(8,118)
Subtotal	**98,201**	**(61,680)**	92,616	(58,020)
Hong Kong, Macau, Taiwan and overseas regions	**13,459**	**(8,611)**	13,053	(9,805)
Total	**111,660**	**(70,291)**	105,669	(67,825)

(2) Overdue loans and advances to customers by geographical area

	As at 31 December 2024		As at 31 December 2023	
	Overdue loans	**Allowance for impairment losses**	Overdue loans	Allowance for impairment losses
Chinese mainland				
– Head Office	**28,522**	**(21,637)**	28,064	(20,774)
– Yangtze River Delta	**20,745**	**(11,582)**	14,191	(7,624)
– Central China	**17,603**	**(7,759)**	14,155	(6,568)
– Bohai Rim Economic Zone	**10,329**	**(5,795)**	13,302	(8,181)
– Pearl River Delta	**15,356**	**(9,496)**	11,803	(6,546)
– Western China	**8,364**	**(4,825)**	8,184	(3,652)
– North Eastern China	**4,762**	**(2,982)**	7,697	(5,667)
Subtotal	**105,681**	**(64,076)**	97,396	(59,012)
Hong Kong, Macau, Taiwan and overseas regions	**12,417**	**(8,243)**	12,725	(9,366)
Total	**118,098**	**(72,319)**	110,121	(68,378)

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

For the year ended 31 December 2024

5 LOANS AND ADVANCES TO CUSTOMERS

(1) The risk concentration analysis for loans and advances to customers by geographical and industry sectors (gross)

	As at 31 December 2024			As at 31 December 2023		
Hong Kong		**%**	**Amount covered by collaterals**		%	Amount covered by collaterals
Corporate loans						
Real estate	**65,323**	**32.08**	**21,917**	75,477	33.58	23,943
Manufacturing	**15,978**	**7.85**	**2,035**	21,120	9.40	3,519
Leasing and commercial services	**10,548**	**5.18**	**3,944**	10,562	4.70	3,855
Transportation, storage and postal service	**8,225**	**4.04**	**3,052**	12,411	5.52	2,966
Finance	**7,744**	**3.80**	**1,203**	7,000	3.11	1,150
Wholesale and retail	**7,437**	**3.65**	**3,079**	11,372	5.06	3,615
Construction	**5,432**	**2.67**	**983**	6,619	2.94	1,562
Information transmission, software and IT services	**3,901**	**1.92**	**36**	6,592	2.93	42
Accommodation and catering	**2,200**	**1.08**	**2,200**	2,153	0.96	2,153
Production and supply of power, heat, gas and water	**–**	**–**	**–**	149	0.07	149
Others	**18,179**	**8.93**	**2,555**	14,902	6.63	1,262
Total corporate loans	**144,967**	**71.20**	**41,004**	168,357	74.90	44,216
Personal loans						
Mortgage	**44,641**	**21.93**	**44,484**	41,652	18.53	41,580
Personal consumption loans	**10,082**	**4.95**	**9,751**	10,708	4.77	10,087
Personal business loans	**330**	**0.16**	**329**	301	0.13	300
Credit cards	**127**	**0.06**	**–**	121	0.05	–
Others	**3,455**	**1.70**	**3,423**	3,649	1.62	3,628
Total personal loans	**58,635**	**28.80**	**57,987**	56,431	25.10	55,595
Gross amount of loans and advances to customers before impairment allowance	**203,602**	**100.00**	**98,991**	224,788	100.00	99,811
Outside Hong Kong	**8,351,520**			7,732,297		

Note: The classification of industries is consistent with the latest national standards for industry classification (Industrial Classification for National Economic Activities (GB/T 4754-2017) issued by SAC and AQSIQ in 2017).

The risk concentration analysis for loans and advances to customers by industry sectors is based on the Group's internal classification system.

The ratio of collateral and pledge loans to the total loans of the Group was 45% as at 31 December 2024 (31 December 2023: 48%).

5 LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

(2) Allowance on loans and advances to customers by type of loan

	As at 31 December 2024		As at 31 December 2023	
	Impaired loans	**Allowance for impairment losses**	Impaired loans	Allowance for impairment losses
Corporates	**81,834**	**(49,108)**	85,546	(53,567)
Individuals	**29,826**	**(21,183)**	20,123	(14,258)
Total	**111,660**	**(70,291)**	105,669	(67,825)

The amount of new provisions charged to statement of profit or loss, and the amount of loans and advances written off during the period are disclosed below:

	Year ended 31 December 2024			Year ended 31 December 2023		
	New provisions	**Loans and advances written off as uncollectible**	**Recoveries of loans and advances written off in previous years**	New provisions	Loans and advances written off as uncollectible	Recoveries of loans and advances written off in previous years
Corporates	**16,258**	**(14,887)**	**3,040**	26,060	(9,871)	3,166
Individuals	**33,768**	**(21,397)**	**3,158**	28,077	(21,228)	2,513
Total	**50,026**	**(36,284)**	**6,198**	54,137	(31,099)	5,679

BOCOM ASSESSMENT INDICATORS FOR GLOBAL SYSTEMICALLY IMPORTANT BANKS

(As at the end of December 31, 2024)
(In millions of RMB)

Assessment Indicators for Global Systemically Important Banks	The Group
Total Exposures	16,568,978
Intra-Financial System Assets	1,488,123
Intra-Financial System Liabilities	1,649,344
Securities Outstanding	2,830,313
Payments Activity	341,839,705
Assets Under Custody	15,566,592
Underwritten Transaction in Debt and Equity Markets	708,454
Fixed Income Securities Trading Volume	4,244,722
Equity and Other Securities Trading Volume	302,928
Notional Amount of OTC Derivatives	10,588,478
Trading and AFS Securities	882,582
Level 3 Assets	103,984
Cross-Jurisdictional Claim	1,156,127
Cross-Jurisdictional Liabilities	1,046,294

Note: In accordance with regulatory requirements, the Group's assessment indicators for global systemically important banks are calculated using the consolidated scope required by the Basel Committee, which differs from the scope of consolidation used for financial statements and regulatory reporting.

交通銀行
BANK OF COMMUNICATIONS

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